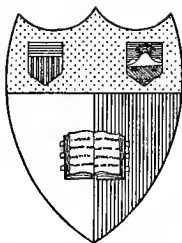


# THE GREAT NEWS

✧ CHARLES FERGUSON ✧



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# THE GREAT NEWS

*BY CHARLES FERGUSON*

THE RELIGION OF DEMOCRACY  
THE UNIVERSITY MILITANT  
THE GREAT NEWS



# THE GREAT NEWS

BY  
CHARLES FERGUSON



NEW YORK  
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1915

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## PREFACE

**D**URING the year preceding the war, the author was employed by the United States government to find out how "big business" stood to the state in the principal European countries. He carried credentials from the President, addressed to the diplomatic service, which gave him access to the best sources of information.

The deepest impression made upon his mind by this experience was a sense of the moral absurdity of the American business system in its ambiguous relation to the public power. He was persuaded by observation of the political and economic conditions that have proved so disastrous to Europe that the sway of socially irresponsible finance has become intolerable to the world and is coming to an end; and that the business system of the United States must make a quick choice between regeneration from

## PREFACE

within, and militaristic discipline from without.

These opinions are not to be attributed to the Administration, but on the author's return to America at the outbreak of the war it was arranged by the President that he should visit various business communities in this country as a representative of the Secretary of Commerce, to suggest ways and means for the promotion of commerce through the development of a more scientific spirit within the body of the business organization.

This book in the main is a reflection of these public errands—though it contains much that could not possibly have any bearing upon an official task. Of course nobody is answerable for a word of it but the author himself.

No. 15 Gramercy Park  
New York

# THE GREAT NEWS

## I

### RISE OF A NEW WORLD POWER

**E**VER since the close of the Napoleonic Wars, our Western civilization has been trying to develop a world-wide system of business. This development has been the distinguishing characteristic of the era. It is impossible to understand the history of the past century—its immense but superficial success and its recent stupendous catastrophe—without first fastening one's mind upon the fact that it was a century separated from all others as the century of grand-scale production and exchange.

Now a world organized for work—even if badly organized—is very different from

the kind of world contemplated by Hobbes and Locke, by Rousseau and Montesquieu or by the Fathers of the American Constitution. A grand-scale social organization bent upon the advancement of the arts and sciences by an economy of creative power and the use of tools, requires a high degree of mobilization, a sensitive adjustment to the laws of natural evolution and a deliverance from the constraints of arbitrary law.

Thus the great adventure of the past century made extraordinary demands. The nations were in general unable to meet those demands. The consequence was calamitous.

Historians of these times will be perplexed at the dearth of written records, literary or otherwise, evincing an understanding of the fact that the system of universal reciprocities founded on capital, credit, contract and corporate organization, is a thing of spiritual portent. They will be astonished to discover that the age which first elaborated these subtle and powerful



agencies for the working out of a world-wide community of interest, did not know that it was handling the stuff of a political apocalypse.

Yet after a while, and in the long run, it will no doubt be clearly seen that the international business system—in spite of its cruelties and in spite of its tragic miscarriage in this last terrible year, is on the whole a serious effort of Western civilization to escape from the provincialism of race into a spacious kingdom of the free spirit. It will be seen that this effort is the true continuation of a tradition of internationalism that since the days of Pericles has had four other tidal pulsations.

First came the spread of Roman Law, second, the gathering of the nations into the vast interracial institution of Pope Gregory VII and his successors; third, the rise of Municipal Universities under the inspiration of Alcuin and Anselm, and fourth the development of that international republicanism of which Napoleon said that nothing

but the Cossack could keep it from crossing all frontiers.

The business system has been forced into self-contradiction and has brought disaster to the world, because it has not yet been treated with moral seriousness. In Great Britain, France and the United States the business man has an ambiguous status. The feudal tradition that a gentleman cannot engage in "trade" has indeed been worn out; nevertheless it has been taken for granted that business interests are private, not public. It has been assumed that a businessman should be "public-spirited" only occasionally, and that the ordinary range of his motives need not rise to the moral level that is supposed to obtain in public office.

In all these countries the business organization has been, as a matter of fact, the chief and controlling power in politics. Yet everywhere the fiction has been preserved that business and politics must be kept quite separate. Thus the relation of business to

the public authority in democratic countries has been a labyrinth of hypocrisy. And this hypocrisy has now come to its day of judgment.

The career and personality of Mr. Theodore Roosevelt will serve as well as any other paradigm to punctuate the meaning of what is the matter with us.

Mr. Roosevelt dramatizes the peculiar illusion of his time by getting himself sued by Mr. Barnes for saying that the party organizations in New York are generally guided and occasionally overruled by the organization of business. Everybody understands, or could understand by a little consideration of the subject, that the business organization is in its very nature much stronger than any political party. It is stronger for a variety of obvious reasons, among which the following may be named:

First, it operates all the time, while the party expresses itself only once in a while. Second, it deals with tangible things that

people really care about, while the parties deal mostly in abstract ideas and vague documentary promises. Third, it settles the material conditions of everybody's career, while the parties settle little more than the careers of politicians. And fourth, the business system has the energy of continuous motion and adventure, while the parties have only the energy of criticism and resistance. Reasons might be multiplied, but these will do.

Now the noteworthy fact is, not that Mr. Roosevelt accuses the politicians of yielding to the business interests, but that he persists in supposing, in the face of a rich personal experience to the contrary, that good politicians like himself do *not* yield. Mr. Roosevelt will perhaps go to his grave in the firm persuasion that business and politics should be kept in separate and nearly water-tight compartments, with a proviso that strong and righteous persons like himself may be trusted to regulate a slight osmosis between the two.

If the passing age had not been represented, and in truth thoroughly representable, by men like Mr. Roosevelt, if it had not been peculiarly well-furnished with acute and facile leaders, capable of versatile play with the stiff formulas of consecrated thought, but wholly incapable of adjusting minds or morals to a huge new actuality such as the modern business system—probably the age would not have passed in the crash of a great catastrophe.

The contention here is that the modern economy and discipline of the world's productive power, through credit, contract, corporate organization and a universal news service—is the central moral and intellectual adventure of modern times; that this power is political; that it lays hold of human lives and natural forces in such a way that it is practically irresistible by any other political force except autocracy and martial law; and that its rational and self-consistent development would give the world permanent peace

and unexampled plenty. On the other hand it is wholly due to the perversion of this system of production and exchange that the world has been plunged into war; and there is no reason for expecting that the war-welter will be brought to an end until a true type of business organization shall be produced somewhere, on a scale large enough to form a base from which to command the whole circle of commerce.

This new principle of world-organization that has been trying to get itself expressed through the industrial and commercial order, was featured in an interesting fashion in Mr. Norman Angell's book, "The Great Illusion." Mr. Angell took it for granted that the financial and commercial system was actually being operated in such a manner that the world had been brought into a single community of interest—so that the only danger of war lay in a failure of the people of the several nations to perceive this accomplished fact. His book deserved the

respectful consideration it received, because it presented a vision and a hope. But in exposing a "great illusion," it cast the spell of a greater one. It was bad enough that plain unprivileged people should go on thinking that wars might be made financially profitable to themselves; but it was rather worse that they should be lulled to sleep with the sedative notion that the great bankers of the world were all busy knitting up strong bonds of international union—at the very moment when, as a matter of fact, they were doing the opposite thing.

The new and regenerative idea which Mr. Angell so seriously misstates is that a vast eirenicon, a world-wide common law can be and ought to be worked out along the lines suggested by the existing international system of bank-credits, free contracts and universal news service. Mr. Angell was right in suggesting the immense possibilities that are bound up with a normal and wholesome development of international business; but he failed to see that the actual business sys-

tem was developing in a most abnormal and unwholesome manner.

The corruption of the best is the worst corruption. And it is just because the business system of modern times sets out to be the finest and freest of all social constitutions, that it has become so monstrous and terrible in its perversion and misuse.

Politics is the massing of interests.

The political parties of Western democratic countries have succeeded in massing the interests of large numbers of men; but they have done it in a thin and formal manner. The common interests they represent do not go deep into life. Being a Republican or a Democrat has nothing to do with the passions of the heart, and not much to do with board and clothes and housing.

In the middle of the nineteenth century a new politics came into the field—but it was not *called* politics. A new and very effective way was found to mass the interests of large numbers of men—but it was agreed



on all hands that this kind of common interest should be held under political suspicion.

This new and effective massing of interests was accomplished by the development of large-scale industry and commerce, under a technology of unprecedented excellence, and with the aid of a refined system of credit-accounting, an elaboration of corporate devices and a supra-national finance. It was accomplished by the creation of a new social tissue that wove all men together in a mesh of reciprocal relations, so delicate and tense that the business of a nation—even the whole world's business—came to be thought and spoken of as a single, indissoluble process. And this was a thing quite new in human history.

Strange, is it not, that students of political science should have yielded their minds so completely to the illusion of names? They generally failed to recognize the business organization as a political power, and its instigators and champions as a political

party—because such a manner of thinking and speaking was socially tabooed. The tradition of democratic government had grown up under a cult of moral dualism which required that Cincinnatus should leave the plough and forget about food and raiment when he turned his mind to affairs of state. It was deemed indelicate, if not immoral, that one should mix his political ideas with any thought about making a living. Not only in the best American drawing rooms but also around the saw-dust box in remote country stores, politics was regarded as a realm of Olympian idealism, a region of rarefied thought into which the low-browed Titans of tools and trade were not to be permitted to ascend.

It is true that we looked somewhat dubiously upon the whole race of politicians; but that is to be explained by the consideration that politicians are supposed to make a living by politics. And making a living seemed gross.

It was a hackneyed saying that only death

—preferably mediated by assassination—could translate a politician to statesmanship and remove the stigma that marked all those who handled familiarly the sacred ark.

The bosses, heelers and party workers with the endless processions of small office-holders cheerfully accepted the formal scorn of the community, as a part of the price to be paid for their own comparative ease or affluence.

This political transcendentalism cleared the forum and the market-place for the pedestal of the “prominent business-man,” who was sculptured in the imagination of the public as a patriot whose politics were nobly esoteric.

By means of the system of casuistry briefly outlined above, it was brought to pass in the United States—also in Western Europe, and indeed in all countries affected by the philosophic dualism of traditional democracy—that the business-man could do about as he pleased with the politician. The

business organization worked free in a moral vacuum. It was practically without social restraint or responsibility. It developed the most subtle and the most massive political power known to the history of mankind—mainly through a jealous guarding of the illusion that business has to do only with a nether range of human interests, and that affairs of state are more spiritual and precious than the earth-struggle and must not be contaminated by beer and skittles—no, nor by bread and wine.

Let it be insisted upon that whatever men may agree to say or to think, the fact remains that the modern correlation of working forces by means of bank-credits, electrical communication and the Great Industry, is the predominant political power in the modern world. No way has been found, or is likely to be discovered, whereby human interests can be assembled with such intimacy of correspondence or on so large a scale.

Whoever will take careful thought about

the matter will find reason enough for believing that this wide-spreading organization for the mastery of the difficulties of existence on a somewhat inclement, if not wholly inhospitable, planet—is an organization that has a certain finality. It can be improved—it cries aloud to be improved—but it is not likely to be superseded by any other kind, any “higher” kind of organization.

True it is that political philosophers have striven for many ages to invent forms of social correlation that had little or nothing to do with the mastery of the natural difficulties of existence. At this moment of poignant anxiety, the air is vibrant, even more than in calmer times, with the voices of eager prophets, proclaiming the constitution and by-laws of a “world-state.”

The publisher of the *Wall Street Journal* tells us that “this audacious war” is to end in the establishment of a universal sovereignty at the Hague, commissioned to operate a universal police-force from Heli-

goland. Mr. Norman Angell writes a new book to show how the United States of America is to mediate the making of this world-federation. And the venerable Dr. Eliot of Harvard publishes a great many newspaper articles to the same effect. All these gentlemen hate militarism, and seriously disapprove of the Kaiser. Yet not one of them is able to imagine an international civil society depending for the maintenance of its constitutional law upon any other final sanction than an overwhelming military force. They all think in political terms that are, or ought to be, obsolescent.

The world has had prolonged experience of an ecumenical institution that attempted to establish, and to a very great extent succeeded in establishing, a world-wide system of law and order, that did not depend in the last resort upon soldiers or policemen. Such was the civil and administrative structure of the Church of pre-Reformation times. There are analogies as has been said

between that Church and the great fabric of industrial and commercial credit and contract that suffered such rending and dislocation in 1914 with the outbreak of war.

The ecclesiastical polity of the Middle Ages and the economic organization of the modern world have this profound likeness: their main reliance for keeping order was, or is, simply *the attractiveness and desirableness of being on good terms with the system*. Their fundamental sanction is not imprisonment, physical hurt or violent death—as is the case with all extant national and local states, and also with that imaginary world-state of the irresistible international police-force toward which the pacifists mostly yearn.

The Church that built the cathedrals and the free cities, invented hospitals, equity jurisprudence and public schools, that mothered the fine arts and classic learning and created the University—the Church that housed the crafts-guilds and merchant-guilds under a common roof and sent its

Franciscans, Benedictines and Dominicans on successful errands of imperial civilization—resembled the modern business system in the remarkable and essential fact that its order was principally sustained not by a common fear of bodily harm but by a common hope of expanded opportunity. The Church had sharp and moving penalties for the recalcitrant; but they were penalties of a precisely opposite kind from those our lawyers love to dwell upon. The Church did not shut its rebels up; it shut them *out*.

This tremendous and transforming political idea of government by attraction was appropriated by the modern business system—which, be it remembered, is a kingdom that came “without observation and as a thief in the night.” The business system, like the Church of Gregory VII and Ambrose of Milan, has undertaken to establish a catholic polity on the instigations and compulsions of the constitutional principle that the faithless—those who have no credit—shall be, not imprisoned, but ex-



cluded from the power of originating enterprise.

It is of course open to all observers to take notice that faith and saving works were faultily defined even in the most spacious days of the Church, and that its constitution was grievously impaired thereby, and eventually brought to ruin. A similar remark may be made concerning the definition and administration of credit and good-will in our actual organization of finance and industry.

But one should distinguish between the essence of a principle and the accidents that befall it in the historic *mêlée*. The principle that order can be maintained in a vast social system, without main dependency upon organized violence—*by the mere momentum of a central current of enterprise*—has been historically established—if any principle has been historically established.

The modern constitutional state, as exemplified in America and Western Europe, can never be understood by anybody who is

satisfied with it. For it is at best an admirable but temporary contrivance. It is a revolutionary state. Its best symbol is a barricade. On one side, behind the heaped cobblestones and wedged timbers of the Constitution, is the Modern Spirit which hates arbitrary law, and will clear a space for a law that is not arbitrary but intrinsic—the law that in the nature of things conditions the building of cities. On the other side of the barricade are, if you please, the Stuarts, the Hanoverians and the Bourbons. The barricade is not self-explanatory. It is not a feature of nature or a work of decorative art. The Constitution is explained by what is on the back side of it. It was built by able lawyers to restrict the operations of arbitrary law. The constitutions were framed as a summation of the results of the English Revolution, the American Revolution and the French Revolution.

It is a grave misfortune that we have been permitted to forget that we are living under a revolutionary government in a revolution-

ary state. We should all have been taught in the public schools that the barricade is temporarily useful, but not eternal, and that it will not be permanently necessary to cut our lives in two, giving part to Bourbonism—tempered by parliamentary talk—and only the residue to real self-government.

We should have been told by our teachers that the large tract of our social life that lies outside the narrow constitutional beat of the policeman, is not reserved for private exploitation and personal irresponsibility; that, on the contrary, this unpoliced part is the most public and the most important part—that here is to be organized, as swiftly as possible, a new and transforming politics, destined to fulfil the true historic purpose of the revolutionary states by sweeping away their barricades and claiming the whole area of modern life for the laws of art and science.

What a pity that it was not even mentioned to us in our impressionable youth

that the public schools of the United States are kept out of the old party politics in order that they may become the luminous foci or rallying points of the world-storming party of creative enterprise!

Why is it that nobody has pointed out the fact that public education in America is not thought of as an affair of state—as it was in the Roman Empire, and as it is to this day on the continent of Europe—but rather as a primary social interest that statesmen must admire but must not meddle with? This fact is signalized by the granting to the school system in Pennsylvania and other commonwealths of something like an independent taxing-power; and by the general intent throughout the country to make the fiscal basis of the system as free as possible from the fluctuations of party politics.

The moral drive, the teleology of history, requires that our revolutionary government shall be transmuted and mobilized into an

*evolutionary government.* To autocrats and aristocracies the political problem is a question of the maintenance of a substantive social convention, the preservation of a *status quo*. But in a democracy the problem should be stated not in static terms but in dynamic terms. The fundamental political question—conditioning all other political questions—is: How best can we mobilize the creative forces for the raising of the general standard of living?

Thus the political problem in a democracy is a problem in engineering. The whole *matériel* of civilization takes on the aspect of tools; no property right can be regarded as in itself an end, or object of devotion. In the last accounting the tools belong to those that can use them best for the increase of the social income. Nobody can have a right to damage or diminish the estate of the commonwealth. Nature is too exigent for that. The business of making the deserts blossom is too dangerous and difficult.

The human race has never yet, for a sin-

gle day, had enough to eat or sufficient clothing or shelter. And the bottom reason of this dearth is that the struggle to rightly divide the goods and honors of the world, according to one or another standard of absolute justice, has always absorbed so large a percentage of the emotional energy of the race that it has never had enough driving force left to produce the physical necessities of existence.

If sociology had really become a science, and if its adepts were furnished with some dynamometer by means of which one could register the amount of nervous force that a nation habitually spends in producing goods, and on the other hand the amount it spends in deciding who shall enjoy them—it would then be possible to definitely fix the rank of the several countries of the earth in the scale of civilization. For the country where people care most for the advancement of the arts and sciences, and least for an exact distributive justice, is the richest and the

strongest, for peace or war—and excels all others in intellect and magnanimity. This is a practical truth. It has been expressed in perfect form in the New Testament and has been amply illustrated in the rise, from time to time, of many splendid cities; but it has generally eluded the clergy and the legal profession and it still awaits disclosure to the ordinary intelligence of mankind. It is the pith of the solution of the social problem.

The unhappy and unsuccessful ages are those in which the air is full of the importunate cries of reforming sects and parties, each bent upon applying some new rule of righteousness in the apportionment of the good things of life between man and man—and all uniting with cumulative fervor to distract the mind and energy of the people from the business of *producing* good things.

Thus the reformers kill the goose that lays the golden egg. They produce not only an economic prostration but also a poverty that beggars the intellect and dispossesses the soul.

The first law of political economy—if political economy is to quit its fruitless fatalism and turn its mind to the making of history—may be formulated in some such manner as this: The rights of private property are all relative and provisional; the absolute thing is the right of society to mass its skill and knowledge and to go ahead and get rich; to make private property absolute is to stop the wheels of production.

Thus the idea that lies at the heart of an affirmative political economy is also the quintessence of the business system. Business has been befuddled by the lawyers, but in its hidden soul it hates all kinds of absolutism, except the absolute right of the “going concern” to go. The men who represent the real genius of modern business are perfectly willing that questions of property should be regarded as details of the general engineering problem, to be decided on the principle that engines should be run by those who can run them.

Your authentic business man thinks of his



material possessions as temporary precipitations of his social strength, easily convertible back into the fine effluence of decision and enterprise, *which is what he really cares about*. His personal dignity is in his credit at the bank—the social assessment of the magnitude of his truthworthiness in the productive process.

The day of the paramount landlord has passed away. In general the pride of personality does not any longer express itself in adding house to house and field to field. The pride of men in the mastery of materials has become subtle and spiritual. The categories of wealth in our day are not Ptolemaic but Copernican. Wealth has now no settled *basis*; it has only balance, and a stupendous *orbit*. The economy of universal credit and contract has destroyed the absoluteness of property.

But the lawyers, for the most part, stay with Ptolemy. For example, Mr. Elihu Root—who in all innocence has perhaps

done as much as any man living to bewilder the business world—declares earnestly from the chair at the opening session of the Constitutional Convention of the State of New York, that property is grounded in the eternal nature of things and that the Constitution rests upon this Atlas, elephant or tortoise.

It was the philosopher John Locke who first clearly formulated this idea of natural property as a thing antecedent to all social arrangements. Locke was excusable. He lived in an age of petty handicraft, before the beginnings of the Great Industry. Moreover he was trying hard to find an intellectual basis for the limitation of the power of kings. He was the champion of the limitation of monarchy, and there was no better hook for the jaw of Behemoth than this idea that property came before prime ministers. It put a brake on taxation and justified John Hampden. A great deal of history goes with Locke's idea. It was hopeless to pull against the absolutism of princes

without setting up an opposite absolutism to pull from.

But this latter absolutism—that of private property—was only a part of the gear and tackling of the revolutionary tug-of-war. If the lawyers of the nineteenth century in Western Europe and America had been social philosophers, they would have allowed this relic of the revolution to fall into gradual and harmless desuetude. Thomas Jefferson gave the right hint. In his short list of the inalienable rights of man, he did not mention the right of property. But the high courts of the young republic were mostly counselled and presided over by logicians who were neither first-rate thinkers nor observers. They did not notice the fact that the development of credit, contractualism and corporate finance was compelling the whole fabric of wealth to break loose from nature and become a kind of prodigious work of art. They did not perceive that property had ceased to be a quiddity and had become a relationship.

Then, after the best chances for modernizing the common law to make it suit the conditions of a mobile order, had slipped by—there arose a race of corporation attorneys dating back to Daniel Webster and the Dartmouth College case—who served the short run interests of the corporate structure by establishing legal legends and superstitions that deadlocked its long-run interests.

As a product of history the revolutionary state of our inheritance is, as has been said, a double-minded and hybrid thing. This was necessarily the case, because absolutism—the hunger and thirst for surcease of thought and moral adventure and for rest upon a moveless and unquestionable standard of right—is an inveterate perversity or infirmity of the common mind.

The revolutionary societies were born out of a revelation vouchsafed to men of genius that the true criterion of right and wrong is not to be found elsewhere than in the sanity and integrity of the human spirit as it addresses itself, out-of-doors, to the practical

problem of the earth-struggle. But it was impossible for any mass of men to pass precipitately and without mediation, from the mental cosiness and enervation of the absolutist state, to the rousing realities of self-government. And it was an incalculable misfortune that the negotiators of the transition—men like Alexander Hamilton—were so much more concerned about the indispensable shell and integument of the new order than they were about the vitality of the kernel. To conceive of the government of the modern free state as merely a powerful set of conventions for the maintenance of primordial rights of property, was to sterilize the seed of democracy.

The present dangerous antagonism in this country between the old political power and the business organization is due, in the first instance, to an abortive development of the former. Both are distressfully abnormal; but the perversion of politics preceded that of business.

Our governmental system has been treated as if it had literally nothing to do with the huge social activities that have conquered the continent and that have occupied nearly all the working days of nearly all the people—except to sit under a tree at sundown, like an oriental cad, to decide who has broken the mystic and ceremonial law of pure property. Thus the corruption of business is primarily due to the fact that it has always been put on the defensive. No prophet has ever arisen to demand that the business world should create its own organs of judgment and self-control. It has woven a strong net of economic interdependence that takes in everybody and comprehends nine-tenths of the ordinary interests of all the people. Yet it has lived the political life of unfranchised women, minors and gypsies.

If the business man has practised craft and guile in his relations with the public power, no psychologist could have expected

anything else. A predominant interest that is not openly acknowledged as a public power will necessarily be dangerous to the public power. Thus the business system has been warped and demoralized by its struggle with the state. And it has demoralized the state. The demoralization of the state goes deeper than the corruption of politicians or the misuse of money in politics. The modern democratic state, in its contact with the powerful and politically irresponsible organization of modern business, has suffered a degeneration of all its tissues. The whole structure of its law has been devitalized and stiffened into a kind of rigor mortis. It has fallen into a bloodless, insensitive formalism—"a methodical ignorance of what everybody knows."

The cunning of corporation lawyers has destroyed the vigor of law by the sublimation of its form and letter. The mystical doctrines of the transcendent sacredness of sovereignty and sacredness of property—doctrines utterly uncongenial to the spirit

of economic enterprise and inimical to its wholesome development—have been seized upon by the legal champions of business as weapons to beat down the power of politics. The result has been equally disastrous to politics and to business.

It is of the very nature of modern business—with its credit structure, its swift communications and its highly differentiated division of labor—to work out into a wide-spreading community of interest. Your old-school democratic statesman declares, with sufficient logic, but insufficient sense of realities: "This must not be, because the state is itself an inclusive community of interest and it would not be possible for the state to endure, if it brooked a rival in its own field."

The corporation attorney says: "The philosophy of the democratic statesman is perfectly sound, therefore it is necessary to deny the nature of modern business and to assume, by a fiction, that it has no invincible tendency toward community of interest; let



the political power be also reduced to a fiction by giving property and the police force a transfiguration that will remove them beyond the meddling reach of law-makers; thus it will be possible for business to pursue its uninterrupted course."

The simple truth is that the rise of modern business is a fact of such proportions that corporation lawyers and old-school statesmen are generally quite incompetent to deal with it. The community of business interests, being intrinsically stronger than any other extant political agency, cannot be broken in pieces by any force that the state is able to command—except military autocracy and war. On the other hand it is becoming evident that this new power of unsocialized finance, if allowed to develop further in an atmosphere of moral nullity and legal fiction, is capable of the works of the very devil—even to the destruction of society itself.

The situation is an absolute deadlock; there is no possible solution along any fa-

miliar line of procedure. It is necessary therefore to escape from familiar categories, and to strike out a path of fresh adventure. Those who have sense to see that universal political wreckage must follow upon the development of a business system that is in effect a paramount political power without political responsibility, do not need to argue. They have only to wait a little. Their point is being amply proved by the daily news from every quarter of the globe.

And when these comparatively intelligent people, capable of perceiving the force of a staring axiom, declare that since the business system cannot be abolished it ought to be made human and scientific—they need not assume the whole burden of explaining in advance just how the necessary thing is to be done. When there is only one way out of an intolerable situation, the burden of proof lies upon those who refuse to take that way.

Of course it is not apparent to everybody that the world has been plunged into eco-

conomic distress and war by the dislocation of the industrial and commercial order, and therefore not apparent that the only possible exit from our troubles is through the integration of that order. To perceive these things it is necessary to understand that the modern development of a world-wide working organization has ushered in a new political era, to which the old fashions and formulas of politics do not apply, and that when people are organized for work, even in an imperfect manner, they are put in such relations to the forces of nature, and are so firmly bound together in matters that they really care about, that their association is incomparably strong, in contrast with all other forms of association. This is not to say that man is "an economic animal" or that the closest fellowship is that of the stomach. To say or think that is entirely to miss the point of the Incarnation and the sacrament of bread and wine. The point is that it is only in the handling of the stuff and substance of the real world that the finer

intellectual and spiritual faculties are quickened into life. Thus the community of interest created by the processes of industry and commerce is, in spite of monstrous abuses, more nearly a holy communion than is any other.

A renaissance in politics is always at bottom a revival in religion—a freshening of primary perceptions about the meaning of life. So it is quite impossible to appraise the value and potency of our new-born and unprecedented working-organization, unless one is awake to the fact that it involves the emotional energies of the race, with all the finer arts and spiritual graces. It is not enough to say that the working-organization *ought* to involve these great interests; it actually and inevitably does so. For they cannot be effectually and permanently involved in any other way than by a social combination for the creation of goods. That is the substantial reason why this new kind of politics is stronger than any of the old kinds.

Our traditional politics lacks blood and bone. It affects an ascetic contempt of material interests and assumes that good citizens go to the polls in a kind of rapture of self-abnegation. It rests on the ghostly assumption that people can be continuously interested in getting together on a disinterested basis.

No man or nation can be committed to the sentimental top-loftiness that our ancestral political theory requires without balancing himself off with some kind of brutality. It is impossible on the other hand to be consistently sensitive and considerate of others, without an unexceptional confession of personal interest.

The jobbery of "the gang" is the natural recoil of platonic politics; and nations leap to war to escape from the hypocrisies of peace.

## II

### PASSING OF GOVERNMENT BY PROXY

THE business system is closer to the nature of men and the nature of things than any political party founded on abstract principles can possibly be. The incurable vice of our hereditary politics is that it requires of its votary that he shall be methodically double-minded, that his life as an exemplary citizen or a public official shall be oath-bound to a set of feelings and interests that are not keyed to his natural constitution. The difficulty is not merely that of the conscience-stricken sheriff who conscientiously adjusts the noose. It goes much deeper than that. For the whole fabric of consecrated political power is built upon the impossible assumption—derived from an ancient and unscientific psychology and preserved through the ages by an academic tra-

dition—that disembodied ideas can have a real existence.

Let it be repeated and insisted upon that it is scholastic platonism to declare that we are bound to have a government, “not of men, but of laws,” and thereupon to set to work with all diligence to clear the unsophisticated humanness out of everybody who has to do with the administration of the legal system.

The orthodox theory of “representative” government as expounded, say, by Mr. Taft and Mr. Root, undertakes to do almost, if not precisely, this. It imagines that intellect and conscience can be torn, bleeding, from the hearts of men, and set coolly apart in a court or cabinet to govern the passions of the soul. The monks of the Thebaid tried something of the sort; and the hope that Mr. Root and Mr. Taft may succeed in their endeavor is fortified by nothing but a dwindling, ecclesiastical tradition.

It was left for modern psychology to state in scientific form a truth, which men of

genius in all ages have illustrated in their careers and have sometimes understood; namely, that high mentality grows out of strong and steady emotion. It is emotion heated to a kind of incandescence and so transmuted into light.

It now appears that the attempt to cut the intellect loose from the heart of life cannot end otherwise than in imbecility, that there is no such thing as acromatic intellect, and that Plato's dream is a delusion. Those who would govern nations by cold and colorless brains and consciences can do only mischief and reap disappointment.

It is to be noted that the natural humor of Mr. Taft and Mr. Root compels them to abate somewhat the logical rigor of their argument for purely abstract law and purely impersonal authority. They seem to feel that there must be somewhere in the frigid hierarchy of officialdom a saving remnant of real personalities. Therefore they decide, somewhat whimsically perhaps, that judges, at least, ought to be something more than



representatives of other people—that judges ought to have an indefeasible character as representatives not of persons, but of property.

Mr. Roosevelt also is a zealot for the orthodox doctrine that the people should rule by the hands of entirely depersonalized delegates, though he makes an amiable and obvious reservation in his own behalf.

Now it would be difficult to discredit—as it deserves to be discredited—this classic ideology of contemporary politics, if its weakness had not been exposed at every point of its contact with the business system. There is implicit in the modern system of business enterprise, a new and pragmatic politics that grips the earth with passion and power, just because it is comparatively free from the morbid idealism of the old order. Men rise to places of authority in the business world, not by election of majorities but by contractual selection. If one has power there, he has it *in propria*

*persona* and not in virtue of any delegation. His action is direct and personal; he is not embarrassed by a double consciousness.

In some respects the actual state of the business organization is pathological, in others it is inchoate and undeveloped. Either way, it is necessary to distinguish between the essentials of the system and their confused and imperfect manifestations. With this consideration in mind, one should note that the most characteristic thing about the régime of business is its aversion to arbitrary laws and to the rule of abstract theories. It is determined, in its ground-plan, to be ruled by laws that are not arbitrary or extraneous but essential and self-vindicating. It will make free use of the imagination to extend the frontiers of enterprise, but it refuses to be governed or constricted by fine ideas.

It should be readily admitted that business men in general have not formulated a philosophy of business, and are only dimly conscious of the world-changing spirit of the new order they are trying to administer.

Perhaps it is always the case in matters of the first importance that the creative impulse precedes the theory of it. The thing is done, or half done, before anybody thinks about explaining it.

This fact that the business order is a spontaneous and unmeditated creation, is a part of the reason why it is stronger than the system that was thought out by a company of lawyers and country gentlemen meeting in a hall in Philadelphia during a series of hot, summer afternoons. The fathers of the Constitution were instructed and intelligent men; but it happened that neither they nor their exemplars in France and England, or in Athens and Sparta, had any clear conception of the political power that inheres in the mastery of economic forces and the orderly control of tools.

It is not necessary at this day that one should be as sagacious as the President of the Constitutional Convention at Philadelphia, in order to find the right place to

“erect a standard to which the wise and the honest may repair.” The standard of political regeneration should be set up in the open market-place, at the emotional centre of the business world.

If the reformers—the radicals and socialists—have turned their backs upon the actual organization of working forces, and have set their hopes on an increase of the balloting practice, that is a regrettable but not an incurable mistake. Socialism as a political philosophy deserves respect, because of its profound diagnosis of a social disease—the disease of a non-political and socially irresponsible capitalism. But the socialists have not exhibited any noteworthy skill in therapeutics. Their proposal, reduced to its kernel, is to substitute election by majority for the present practice of contractual selection—in the control of the staple industries. They say the chief powers of industry and commerce should be taken out of the hands of men who have achieved power

by process of free contract, and put into the hands of elected persons.

The talk of common ownership is beside the point. For the essence of ownership is control, and the real question is: Who shall manage the great concerns, and by what right and title? The socialistic answer to this question cannot be successfully impugned from the point of view of old-fashioned politics. For socialism is simply old-fashioned politics carried to a logical conclusion. If elected persons are competent to control the controllers of the great industry, there is no reason why they should not go a step further and dispense with intermediaries.

But the socialists' plan is impossible, just as the plan of the orthodox politicians is impossible. Both appear reasonable to men of the backward look, because the principle involved has actually been applied, after a fashion, for a long time. It had a look of practicality, before the business system developed its essential character and strength.

Socialism, like our traditional liberalism, falsely supposes that justice and truth can be institutionalized apart from the working world—that the working world can be, and ought to be, subjected to other and higher authorities than those that are evolved by the working process itself.

This illusion was specious and believable—until industry and commerce achieved the beginnings of an autonomous and self-subsistent system. It may still be specious, but it is no longer believable by understanding men who have felt the pulse and passion of great business.

All imputed and delegated authorities have been smitten with death in the Great Catastrophe—which is also the Great Awakening. The sovereignty of the world is passing into the hands of autochthonous men—those who derive their strength directly from the earth and the elements. It will pass to the creators—or else, for a while, to the destroyers.

The race is being fused in a great heat.

There is nothing that may not perish, except the right to sow and reap, to build up the broken cities and restore the beauty of the world. Peace—when it comes—will be established upon that right.

The war will go on—perhaps with intermissions—until that kind of peace becomes possible. There is nothing else to stop its going on. There is no other principle of reconciliation.

A man's right to have authority in proportion to the scope of his creative power, is the first constitutional principle of business. This principle has been sophisticated and subverted, but it has never been lost sight of by business men. Even when they are themselves tortuous and sinister, they pay homage to it by their hypocrisies.

The business system was corrupted in every land by its propinquity to an old and decrepit politics. Business was so strong, and politics so weak! It was so much easier to get rich by laws in a book, than by the

out-door laws of art and science. Such richness of loot! Municipalities, states, empires—with nobody but proxies to watch over them. So true was it, as Mr. Emile Faguet said, that in every democratic country the political offices were drowsy with “the cult of incompetence,” the air shuddered with a “horror of responsibility.” How was it possible for the crude, young giant of Big Business to turn away from such temptation? He did not turn away. He made tools and weapons of the cities, states, and empires.

But now the day of reckoning has come. The international organization of finance and industry—which reached out for the sceptre of world-power, but took no thought for the governing of itself—has raised up its Nemesis, the *Military State*.

There is no power that can discipline or subjugate a business system that refuses to govern itself—except the power that was invoked by Bismarck. In mastering its own bad business system, and schooling it to be somewhat social and civil, the German



Empire overbalanced the whole world-family of liberal states enfeebled by plutocracy. It laid upon them all the necessity of either democratizing their business through and through, or else of Prussianizing themselves, if they would compete, in commerce or war, with Germany. Britain, France, Italy and all the rest hammering upon every frontier cannot break the power of Germany, until after they have made their own "invisible governments" visible.

Plutocracy runs swiftly to anarchy and to an incredible economic feebleness. It is better to revert to feudalism. For the feudal principle is at bottom half-democratic.

A military state that has feudalized its business system is now shown—beyond all gainsaying—to be incomparably stronger than any government by the proxies of stock- and bond-holders.

The United States has the benefit of a stay of judgment—a little respite and a chance to think—because of the cool, three thousand miles of water.

But the United States must choose—it would be better to decide quickly—whether it will Prussianize itself, as England and France are doing, *or will rectify its business system and develop the unconquerable power of a real democracy.*

This large issue is not yet settled.

But one thing is settled, namely this—we cannot remain as we are. Government by subterfuge and indirection cannot possibly stand the strain of such times as these.

### III

#### AUTHORITY OF THE ENGINEERS

**T**HERE seems to be such a thing as a voice of the times; an articulate summons is addressed to those who have ears of a certain sensitiveness. The voice has a tone of scorn and menace for those who depend for their happiness upon the restoration of the state of affairs that preceded the outbreak of the war. (For what man with an understanding that is not dull and thick can suppose that that state will ever return?) But the meaning is full of refreshment and good cheer for people whose fortune does not depend upon a frame of words or the figures in a book. The summons of the voice of the times goes forth to men of capacity and creative power—apprising them that this is their day.

In Western Europe and America we

have lived through an age of misunderstood democracy—one of the sorriest ages, for men of high spirit, an age in which there was no authority except the kind conjured up by mere numerousness and imputed to pliancy and passivity.

It is impossible that anything memorable and beautiful should be accomplished by a society devoid of centres of authority. Beautiful things will indeed be done to the end of the world, wherever there are brave men and sweet women. But these cannot become memorable, cannot be accumulated and woven into a tradition, if the social organization has no agency to discriminate as to the relative value of things.

There is no warrant in biologic science for the assumption that the human race—or any race—tends to improve by mere stress of natural selection, without help from a correlating intelligence and will. Yet it is upon that kind of an assumption that the politics of the nineteenth century was built. It was supposed that truth could be elicited through

the free interplay of comparative falsehoods and that science and the arts could be advanced by a social system that grew steadily poorer in passion for reality as it became more and more engrossed in the attack and defence of the struggle for property rights.

Shall we not set it down that without authority there can be no democracy? If there is a Devil that loves and fosters slavery, he must have been the inventor of the doctrine that authority is accursed, and that no man ought to be permitted to achieve it, whether by demonstration of love, of knowledge or of creative power—the doctrine that all men should be held under a level and undistinguished suspicion, that reality is unattainable, that everything is matter of opinion, that one man's opinion is as good as another's and that the majority should rule. If the genius of the clanking chain and slanting brow could but rivet this formula for good and all upon the minds of men, he would have performed his perfect work and

there would never again be any danger that the masses would escape from established stupidity and brutal toil. For with universal suspicion and the abounding vanity of personal opinion, the most enormous devilties are easy of accomplishment. A people possessed by such influences readily yields itself to a sentiment of fatalism, feeling that the powers actually in possession are consecrated by their own force. And where blind force falls short, the spell is readily completed by the arts of sophistry and the charm of fine words.

The nineteenth century elaborated the merely negative aspects of democracy. And those negatives, taken by themselves—in abstraction from the affirmations that properly go with them—are not practical and are not true. They have atomized the Western nations and gone far toward the complete dissolution of society.

It appears now that the rule of the majority is not a true principle, but only a

means of approach to a true principle. Rightly understood this appeal from the old feudal powers to the people, is an appeal from a transcendent to an immanent God. It declares that the Kingdom of Heaven is not going to be imposed upon mankind by a superhuman power, but is a matter of personal initiative and human responsibility. It declares that God has appointed no agents with power of attorney, that creative authority is latent in human nature and that the honor and dignity of it become actual and operative in all who are in any degree masterful over the fatalities of nature or who appreciate those who are.

The sovereignty of the people turns out to be mere cant and a fraud, unless a standard of valor and worth is somehow visibly set up by those who do not wait to be told what to do—either by officials or by the crowd.

Universal suffrage has played an important historic rôle as a device for the regis-

tration of an "Everlasting Nay" upon impossible pretenders and upon governments by grasping and exclusion. But any one may observe, who cares to take the trouble, that the electoral suffrage is not a practicable means of projecting social enterprises and improvements. It is only a means of certifying public consent or dissent. The real control of social forces is in the hands of those who have the initiative of measures and projects. And nobody has invented a way of getting a real initiative out of a plebiscite.

The political initiative in the United States lies now in the local groups who "know exactly what they want" and who cohere because they want similar things. These groups of privilege seekers are vexed and sometimes baffled, though never really balked, by groups of reformers who make small and temporary emotional investments in public affairs. These distract each other by the natural diversity and discursiveness of idealistic thought. And at best, their



purpose is attenuated, in direct proportion to its popular extension.

Thus we may say that democracy is not the rule of the majority, but of the wilful servants of all. The masters of the earth, the air and the sea are to be the governors—with the consent of the governed. The servants are enterprising, insistent, indis-suable, irresistible. It is impossible for the majority to withhold its consent from a rule that really serves.

The authority of the democratic order resides in those who have a passion for reality, who readily discriminate between words and things, between utilities and phrases—and who are resolute to deliver the real goods.

People of this character are capable of forming an indissoluble union. To say that their union will last for a day or a year and then dissolve, as unions of political ideologues and rhetoricians dissolve, is to miss the point of the political programme of

Western civilization—the point of Christianity and of democracy. That point is that intellectualism is in its very nature dissolvent and divisive, *but that men can get together and stay together by making the mastery of the difficulties of existence a direct object of devotion.* People who pay close attention to the concrete realities of the universe are bound to hold together—because the universe does. This is the meaning of the sacrament of bread and wine. It is the political principle that separates the Occident from the Orient. It is the core of democracy.

The United States is entirely fit and prepared for this discovery. It has been ready for a long time.

But alas! the imperious servants—the Masters of Arts who will not suffer their office to be thwarted or despised, who will not give way to talkers and bunglers—*have not yet appeared.*

The capable men of the United States

have hitherto lacked the moral courage to challenge the superstition of mass-rule. Probably their lack of courage to confront a social falsehood has been due to a consciousness that their aims were not broadly social. Probably they had reserves of private purpose that would not bear exposure. This is likely on grounds of historical psychology. For men of capacity and understanding have never hesitated to challenge popular superstitions, unless they were themselves using the superstitions to cloak unpublic aims, aims that could not be gained in those ways of openness and the strong hand which are so fair and pleasant for brave men.

But whatever may have been the subterfuges to which Americans of high intelligence have resorted in times of social tranquillity, it should be evident to such men that they have now fallen upon a perilous time in which essential issues are to be tried out, and in which superstitions can serve no prudential purpose. In such times intelligent

men are shocked into entire public-mindedness—as may be currently observed in Germany, France and England—since only superstitious people have any real belief in the security of fictions or the permanence of privileges that are not backed by personal force.

Thus it may now be expected that men of sense in this country will respond to the summons uttered so loudly in the clangor of great events—and will set up the standard of that authority which alone can give us collectedness and strength.

A famous geographer in Edinburgh lays his hand upon a globe and remarks to the by-standers that the deserts have gained steadily upon the arable land throughout the whole period of recorded history, so that the planet is on the whole less habitable than it was five thousand years ago. That remark is a sufficient indictment of our politics. It calls attention to the all-important fact that states have been built and operated to pro-

tect the wealth of groups of men against the cupidity of other groups, but never for the dead-set purpose of creating wealth. There have indeed been times and occasions in which place and promotion have been freely conceded to men strong in the organization of the earth-struggle and in the development of the nerves and sinews of peace and war. Those have been illustrious times. But for the most part the places and promotions have been accorded to skills and competencies of another kind. The grand artists and engineers have been subjected to the rule of feeble and facile men whose only strength was in the strong delusions of the people.

America exists to change all that. It is our part and lot to contribute to universal civilization a principle of authority so rooted in the conditions of planetary existence that its empire will have a chance to last while the race and the planet last.

There are evident signs abroad that the

categories of the old politics are now quite definitely exhausted, and that there can be no more peace on earth until a valid principle of authority shall be somewhere unshakably established. This is our obvious calling and election. It is the "genius of these states" to establish the government of those who insist that the deserts must recede.

This principle of authority is valid with an unconquerable strength, because it permits no sophistication of the original sources of human power. It attributes power only to those who actually have it—into whose hands and brains and hearts the dynamic of the elemental world has entered. Farmers that manage the moods of nature, engineers that make machines obey, painters and carvers of forms that refresh and hearten men, judges and administrators that make precedents in the interest of the practical arts—these are the depositaries of an imperial authority that can offer the highest inducements to con-

ciliation—or mobilize the heaviest battalions in case of need.

The American Commonwealth can be made powerful and prosperous by substituting for the existing partisan or bi-partisan "Machine" in local communities, a political institution devoted to really practical politics, namely to an economy of the resources of nature and the creative abilities of men, with a view to increasing the purchasing-power of everybody's day's work.

This aim is of course the true purpose of politics and of political economy. To better the earth-hold of human beings, to make goods cheap and men dear, to release and intensify productive competition, by setting up an authority of appreciation and demand; and by that same means to abate and abolish the wasteful and destructive competition for market-control—this is the programme and definition of real politics.

So long as American communities are flat and formless under the hand of officialdom

or are governed from social centres that are secretly devoted to group-interests, they can be neither powerful nor prosperous. Free government is government from social centres whose authority is intrinsic, and unofficial—depending, for its force and sanction, upon the consentaneousness of sensible men.

The world-changing mission of the spirit and genius of the United States has been generally obscured and lost sight of since the close of the nineteenth century. For three or four generations we had cherished the tradition—though indeed we had made no clear demonstration of its meaning—that the political and social order in this country was somehow fundamentally different from that of old-world states. America stood forth unique—great with a spiritual portent that was incomparable. We all thought that. It was taught in the schools, implied in all our literature and breathed in the common air.

Since 1898 this sense of national unique-



ness has been suspended. For the moment we have been content to think of ourselves as just one of "the great powers"—which is of course a claim far lower than that made by our fathers—amounting in fact to a temporary abandonment of their purpose and a threatened apostasy from their faith.

It was perhaps necessary that we should stand aside from our own tradition for a time—in order to get an objective view of it and a fresh evaluation of its meaning. But if we cannot now recover the thread of our history, if democracy has no deeper and more recuperative intent here than is apparent in France or Great Britain, we have wasted much poetry and prophecy on a very small thing.

It is herein submitted that American democracy really is a portentous and world-transforming principle—and that the time has come to give that principle a sharp definition and demonstration.

Democracy in Europe makes no attempt

to establish the seat of authority and social control in a free association of citizens. It leaves the sovereignty where the Roman Empire lodged it—in the hands of oath-bound and specially sanctified officials. European democracy is stark officialdom, excited and distracted by demagogues, and by periodic pollings and a plutocratic press. There is hardly such a thing in Europe—(outside the universities and certain broad-based economic institutions in Germany)—as an organized unofficial political intelligence.

Now without free and permanent political associations armed with the authority of science and the humanities, the sovereignty of the people is a merely romantic and mythical idea. The sovereignty must continue to rest in an official hierarchy, sunk in irrational routine, and either cowed and stupefied by the pressure of private interests or driven to sudden mad adventures by the repressed and morbid idealism of the crowd—until the sovereignty of the people

shall achieve an institutional embodiment in local communities. The democracies will never escape from their feebleness, pettiness and provincialism, their moral cowardice and cruelty to the poor, their sack of the stores of nature and their boundless incompetence and inefficiency—they will never surpass the moral spaciousness and material splendor of the administration of great kings—until the kingliness that serves without a crown has wearied of the confusion, and has shouldered its way to its right place.

The true analogies of social catastrophe and transformation are not to be found in the slow motions of geologic time or in the evolution of plants and animals, but rather in the swift crystallizations and precipitations of the chemist's laboratory. There is the jar of a beaker—and you have a new substance.

Thus in the extraordinary stress of these times an authentic and capable democratic

politics will be produced in a single year—or else the climactic occasion will pass, and the thing will wait for another age. Yet the great social changes have their foreshadowings. And the American people would surely be incapable of critical effort in this matter, if it had not already made successful experiments toward the establishment of free and unofficial centres of social authority. The public school is of course the chief demonstration. Woodrow Wilson—who perhaps feels more sensitively than any other conspicuous and expressive man what lies below the surface of events in American life—has shown through his whole career a sense of the fact that democracy does not polarize at the polls but in the university and the public school. His fight at Princeton against academic plutocracy and class-culture and his original and venturesome support of the quasi-political phase of the “Social Centre movement”—are characteristic incidents of that career.

As President of the United States Mr.

Wilson has led in other notable adventures toward the free organization of public authorities on a basis of science and social service. The Federal Reserve Bank System is characterized by its effort to effect a free co-ordination of financial powers on a basis of intrinsic law, rather than by its incidental relation to Washington officials. In his Mobile speech and in his summary action on the proposed Six-Power loan to China, Mr. Wilson marked his clear judgment against the state-parasitism of big business, his perception of the truth that the organization of working forces can become the sovereign power of the modern world only after it has ceased to depend upon official patronage. That, too, is the moral of the long patience toward Mexico. In the Pan-American Financial and Commercial Conference presided over by Mr. McAdoo, and in the Joint High Commission instituted to continue its work, emphasis is given to the idea that a continental system of industry can be made to rest on the bare ground of science and

humanity. And in the administration of the Department of Commerce there has been an appeal to the business communities to develop new powers of self-sufficiency and self-government; and missionaries have been sent abroad through the land to suggest how that thing may be done.

Perhaps no single institution created by the spontaneous action of men of affairs is more suggestive of the nature of government from authoritative but non-official social centres, than is the Associated Press. Observe that this institution is a monopoly-in-the-nature-of-things. Its monopoly depends upon no charter or franchise and no special claim upon the materials and forces of nature. It depends solely upon the fact that modern society needs a self-consistent organization for the collection, evaluation and distribution of news; and that one such organization is better than many, just as one nervous system in a human body is better than two.

The Associated Press reflects the prepossessions and prejudices of the prosperous class but is morally ingenuous and incorruptible. It cannot be superseded in its particular field by any news organization of similar character, in spite of its vexatious exclusiveness in the sale of its service. But it *can* be superseded or compulsorily transformed, and *will* be—when the American people shall come to understand that the news service is necessarily a judicial office—just as the credit service is executive, and the educational system legislative; and that these three are the primary and concentric political powers in a real democracy.

The organization known as the United States Chamber of Commerce is, like the Associated Press, an adventure toward the evolution of a democratic social authority. Both are merely tentative and necessarily impermanent in their present form. Both stand apart from the private money-making process, and undertake to represent an

interest that is impersonal and social; but they can succeed in this purpose only imperfectly, because of the fact that their constituent institutions—local chambers of commerce and newspaper-publishing companies throughout the country—are generally devoted to the interests of the “business” community, and not to the interests of society as a whole.

There is an economic absurdity in the constitution of all our municipal chambers of commerce or boards of trade. In the free cities of the Middle Ages the trades guilds and merchants’ guilds were usually found in close correlation; but it is difficult to find in the United States a chamber of commerce that works in harmony with the local labor-council or acknowledges in any settled and organic way a community of interest between the two. It is indeed loudly proclaimed that the interests of labor and capital are identical; but no impressive efforts are made to prove it, in the only way that it can be proved; namely, by serious en-



deavor on the part of a chamber of commerce to raise the minimum standard of living. In every American city the general economic interest of the municipality goes unchampioned—save by the occasional and wistful idealism of individuals. There is no organization to stand up steadily for the public. The industrial and commercial plant of the community—its *ensemble* of factories, stores and so on—has no institutional guardianship. There is no social agency bent upon making the most of the material apparatus by which the life of the community is sustained. On the contrary that apparatus is subjected to a persistent, obstructive and ruinous *sabotage*, by organized capital on one hand and by organized labor on the other. Organized capital refuses to take any direct interest in the productive process by which the community lives; and organized labor makes the same refusal. Capital says, The wheels of industry shall turn as fast and as long as is good for investors; they shall not turn at all, when

their not-turning is good for investors. The attitude of Labor is precisely similar.

It is difficult to respect the intelligence of those who have given attention to these matters and who do not perceive the sardonic humor and monstrosity of the situation. To men of normal understanding it should be plain that this sort of thing cannot go on indefinitely. The wheels of industry slow down and deadlock for a reason that is perfectly obvious. The reason is that *nobody takes any direct interest in keeping them going*. There is an immense amount of social will-power exercised in the double *sabotage* that has been described; but *there is absolutely no social will-power directed to the up-keep and improvement of the apparatus of civilization*.

The need of a new kind of chamber of commerce to take a direct interest in the business by which modern communities live, is such a staring truth that expatiation upon it seems insulting—a kind of mental alms-

giving, upon which one should not venture without express and personal solicitation.

The United States is full of that fear of the crowd which Lord Bryce described with such delicacy and discretion in his "American Commonwealth." One must look far in this country to find a politician, clergyman or newspaper-man who will make public acknowledgment of his doubts as to the political wisdom of the majority, or the advantage of consulting everybody before anything political shall be done. This fear or blind reverence for the vaticination of the multitude has a half-justification in the historical discovery of the futility of the cultivated class. But the fact is, on the other hand, as George Sand remarked, that "there is nothing so undemocratic as the mass of the people." Therefore if genuine democracy is ever to get forward in the world it will be by *coup de main* and conquest on the part of those who dare go up against crowds in the cause of common sense.

The crowds are unanimous for common sense—the year after the battle. They never fail to build the sepulchres of the prophets they have slain. The “plain people” know a good thing when they see it, but they do not see it until after it has been produced without their consent. To say this is no disparagement of our common humankind. For the deeper truth is that enterprise, or will-action, is in its very nature personal; so that any mass of men—even if all were of equal capacity—would have to rely upon individuals for every motion of social progress.

In our actual society, with its immense disparities of mental strength and moral courage, it is impossible to establish the authority of democracy otherwise than by the direct action of small local minorities of impatient men.

The majorities will see that this authority is a good thing—after it has come into benignant and formidable existence. And

they will cheerfully turn in to support it within twelve months from the beginning of its effectual action.

## IV

### MODERNIZING AMERICAN POLITICS

**M**R. HENRY M. ALDEN, the venerable editor of *Harper's Magazine*—who is a profound and acute observer—remarks in his book on “The New Literature,” that within the brief period since the sixth decade of the nineteenth century there has been “a revolution in human thought and feeling, a changed attitude toward life and the world.” He says that the political historian dates modern history from the rise of the middle classes in the fifteenth century; but that the historian of the human mind and soul must date the origin of what is really modern from some point a little later than 1860—“when the human reason and imagination, following the course long before taken by science, broke with all forms of scholasticism of traditional authority and of

merely notional thinking. . . . The whole psychical atmosphere was cleared of abstractions that had inhabited and dominated it for centuries—the Powers of the Air.”

Thus, according to Mr. Alden’s general account of the matter, one may say that political writers are still talking in terms that suggest the mental climate of the fifteenth century, while the man in the street is breathing a wholly different atmosphere.

The stage coach and the corduroy road were modern inventions when the political conceptions to which we still adhere were already rimy with age. Political parties built on oratory and abstract principles, just as ours are, were rife in Constantinople before the incursion of the Turks.

It is possible to explain this backwardness of politics. The truth seems to be that the modern scientific spirit moves in a path of progressive conquest from the circumference to the centre of human interest. It first

subdues those tracts of life that matter least, and then advances through stubborn mental obstacles, toward the focus of social vitality. Thus it was natural that the first and most perfect conquest of the scientific spirit should have been accomplished in the realm of astronomy—because the stars stand farthest from the heat of life. The last and consummating victories are now to be won in sociology or politics—which is the vortex of human feeling, the centre of the most passionate concerns of mankind.

The enormous mental and spiritual revolution which Mr. Alden describes as the work of the last fifty years, is the gathering of the social forces at the emotional centre of modern life—forces that are now to be deployed upon the field of politics.

Our party politics is an anachronism so gross that it affronts the rational instinct of modern man. The attempt to get social progress, or even the idea of progress, out of this bifurcation of a continental people



into two schools of abstract thought—schools so hazy in their differences that no living doctor of philosophy has been able to offer a sufficing definition—is an undertaking that would have confounded Alcuin or the Venerable Bede. It might have overtaxed the dialectic champions of “the Blues” and “the Greens” in old Byzantium.

In fairness it must be admitted though that the apologists of our antique political customs do not any longer regard the party differences as intellectual. Some say that one party exists for privilege and plunder and the other for honesty—which is of course an abandonment of that belief in the general good faith which is the basis of democracy. Others say that the distinction is neither intellectual nor moral, but temperamental—that half of mankind is so constituted from the cradle that it loves to drag forward the car of progress, and that the other half for similar reasons loves to drag it backward. One need hardly trouble to dispute such myths in the presence of mod-

ern psychology. It is clear now to all observers that progressiveness and conservatism are simply the two halves of sanity.

If Mr. Alden is right in saying that the American mind has been modernized and has escaped from the thralldom of the Powers of the Air, it is safe to predict the approach of a new politics informed and vitalized with modern realism. One may foresee the near appearance of a political organization to which an energetic American man may commit himself without regard to scholastic philosophy, class-interest or any sanguine or bilious bias.

Mr. Seth Low urges upon the Constitutional Convention at Albany the idea that state politics ought to be separated from national politics, that the party-cleavage along national lines ought not to affect state issues. But why should the national fission be so scrupulously fostered? Is it not a pure sacrifice to the Powers of the Air? Any man with a touch of mental modernness is com-

elled nowadays to take note of the fact that all the vital national issues are, by very stress of circumstances, departisanized. The brave old-fashioned partisans are themselves the first to cry out that party-discussions on national matters must be abandoned—when-ever there is anything important to discuss. Our national policies in their relation to real world issues are framed and executed in a hush. It is agreed on all hands that the tariff should be framed by a non-partisan board. The case is practically the same with internal national issues so far as they are supposed to be vital. The Federal Reserve Bank board and the two commissions on inter-state commerce are planned by law to be non-partisan. Everybody shudders at the idea that banking or business or education or taxation or religion or the judicial office or foreign affairs or the conservation of the national resources should be in any wise affected by party-politics. With so many things “taken out of politics,” it is difficult to discover what has been left in—

except a methodical wearing down of the political forces of the country through a system that cancels nearly everybody out, by setting him in senseless opposition to somebody else. Is this not the sort of thing that feeble spirits delight in—and a few sinister persons with axes to grind?

The English party-system—upon which ours was modelled—had in its origin a clear historic significance. One party stood for the authority of the King and the Powers of the Air; the other for the authority of the public and the powers of the earth. It may be that that issue in its deepest essence has still to be fought out to a finish in the United States—though we must insist that only one of the parties named is indigenous to this soil.

It is indeed obvious that, in a somewhat dim and indefinite manner, the spiritual tradition of English toryism has woven its pattern into the history of the United States. The Democratic party—the only party that

has endured from the beginning of the Government—has, with all its faults and futilities, been comparatively free from this affection; while the party that under various names has stood in opposition to the Democratic party, has been more or less affected by a modified kind of toryism. There have been moments in which Federalists, Whigs and Republicans have seemed to express some doubt of the democratic principle. But for half a century the Republican party, like the rest of the people, has been exposed to the modernizing spiritual influences that Mr. Alden describes, and it would be easy to argue that the fragments now left of it, are quite as modern as the rest of the country.

It should be admitted that the Democratic party—with the leadership of Woodrow Wilson and under the pressure of the world-trial that is now forcing the American people to a fresh and transforming unity—is at least a kind of placenta for the gestation

of a modern politics, a politics standing for all that America stands for.

Having actual possession of the governmental powers in times when all things melt and flow toward a new mould of high-tempered Americanism, it should be plain that all the democracy and modernity of the country is likely to flow into the organization that supports the President; and that the surviving Tories and reactionaries and all who worship the Prince of the Powers of the Air are likely to be driven into opposition.

But of course it is to be admitted that the mere historical convenience of the Democratic party as an agent of political regeneration is not conclusive. If Democrats fail to seize their opportunity it will pass to other hands. Historic changes follow the lines of least resistance. All that can be said with confidence is that the Democratic party has first chance, and that the time has come for the Democracy to put aside its particularism and to translate itself into a common noun. It should now cease to be a pe-

culiar sect and make haste to become that democracy toward which all the prophets of the spiritual renaissance of mankind have stretched out their hands for so many ages.

It is the nature of the democracy of Jefferson and Mazzini and the rest who have understood—to hate doctrinaire disputes and to bring men together on a working basis. It is the very heart of democracy to acknowledge that theories are tools to be handled, that they have no power of guidance; and that most of the fine things in life must be held absolutely in common, across all boundaries of intellectual and social difference—else they cannot be held at all.

By the chastisement of war men are whipped into an understanding of such truths. It is plainly impossible for the United States to stand up and witness for its own democratic genius against the disciplined solidarity of European states, unless this democracy can furnish an equal or superior discipline.

There is a democracy of War. There is a social sacrament of black bread and the wine of bleeding wounds. There is a unity that is got by hammer strokes and the pressure of invasions. This too is spiritual and binds men by the heart. It also endows them with a singular directness of mind and an extraordinary energy in the handling of tools and materials. But the democracy of war is weighted with an inexpressible curse of barrenness. Its high human vitality within, hardens toward the outer world with a repellent burr and shell so thick that it can never germinate into the catholic democracy that is one with the universal realm of art and science. The democracy of war lives and dies sterile—except that it stands to witness in the reiterated passion and sacrifice of the race, for the practicability of another democracy that shall be delivered from the curse of barrenness and that shall grow and cover the earth. This must come out of a nation that does not need to be hammered into reality, and that can be as actual and intelli-



gent in peace as others have been in the arousal of fear and the stress of battle.

There are grave reasons for believing that there will never be peace in this world any more on a basis of international diplomacies and legal theories of abstract justice. That moment in recent history "when the human reason and imagination, following the course long before taken by science, broke with all forms of scholasticism, of traditional authority and of merely notional thinking"—was a fateful moment for weal or woe. It abolished all the long truces and temporary adjustments of irreconcilable claims. It drove the minds of men down to the basis of permanent common interest. Thenceforth it became necessary to give up the idea of uniting vast masses under the kind of a law that has only an ideal validity, and that furnishes no reflection of the lives of ordinary people and the things they really care about.

One can have no apprehension of the his-

torical consequences that must follow upon the penetration of the modern scientific spirit into politics, until one has meditated on certain truths that may be formulated as follows:

The political atmosphere of the world has been "inhabited and dominated for centuries" by theories of right and duty that are not practical from the point of view of general well-being, and not normal from the point of view of wholesome human nature.

The political and legal systems formed under these antique influences depend for their support upon an unmodern and unscientific state of mind in the mass of the people.

This support is now withdrawn or in rapid process of being withdrawn.

In Europe the antique systems are crashing down for lack of support and are being replaced by a terrific science and modernity of war.

It is probable that the old systems will be

restored and maintained in the countries where the popular mind is not deeply penetrated by the modern spirit—notably in Russia.

Nothing can restore the old-fashioned political structure in Great Britain and France except a backward turning in the popular attitude toward life, through a revival of Bourbonism or Toryism—which is not probable in France and scarcely possible in Great Britain.

In the United States there has not yet appeared any trace of the kind of spiritual or intellectual movement that could possibly check the modernizing of politics.

It therefore seems unlikely that any means could be found—even if it were desirable—to maintain governmental authority here in that aloofness from the common life and the work-a-day world to which we are accustomed.

Thus we must make haste to establish in the United States *a solid and scientific basis*

*for law.* The vast fabric of American civilization now hangs perilously from the rafters of a decaying temple of justice. We must underpin this fabric—must lay upon the solid ground the sills of democratic law.

The quintessence of democratic law is that *it depends for its sanction and authority, not upon any abstract theory of right, but upon the concrete feeling in the mass of the people that they have a real community of interest in the gains and honors of civilization.*

If men were disembodied spirits it might be possible to establish this sense of a real community of interest by mere teaching, preaching and praying. But since they are organically related to the materials of nature, it is absolutely impossible to realize a community of interest on purely notional or ideal grounds. It is necessary that the communion have a physical or sacramental basis—that it take continual account of economics and the exigencies of bodily existence.

Our political and juridic tradition has tacitly recognized the fact that there can be no community of interest without economic solidarity—*therefore it has laid no emphasis upon community of interest.* The idea appears occasionally indeed and casually in pleadings and adjudications under “general welfare” clauses, and in vague applications of the doctrine of “police power”—but it has no firm footing in our courts. The leading lawyers and publicists of the Roman and Anglican tradition have endeavored to find a basis of jurisprudence, not in the idea of a vital community of interest but in the idea of *an intellectual consensus*. They have in effect treated men as if they were indeed disembodied spirits—as if ideals and notions were enough. It was impossible otherwise to maintain the prerogatives of a privileged class, and to hush the cry of the hungry and the disinherited.

Nothing is more marvellous than the long survival of this idealistic and notional kind of law, in face of the importunate physical

facts—unless the complacent expectation that it will still survive, in spite of the tremendous demonstrations of the modern spirit, is more marvellous.

Marvellous too is the *mirage* of those who regard the coming of a concrete and economic politics as a counsel of visionaries. Such is the mental inversion induced by the long ages of accepted and standardized abstractions that it is they, and not the things of nature, that seem solid. Lawyers and politicians whose minds are a tissue of legal and conventional fictions and who have hardly in their whole lives felt the reaction of a large objective fact—turn comfortably inward to escape the contact of the “idealists” who insist upon taking political account of stark nature and the primal need of food and clothes.

But not all Americans are rapt in the spell of such enchantment. There are some with minds and wills that can work out-of-doors.

These have now to seize upon the truth that there is pressing need here of a practical politics. It is necessary to get down to business, with our politics. It is time to stop parroting out of academic books the fond old sayings about the oneness of capital and labor. That is a theory of the cloister. It can be translated into a fact. But it is not yet a fact. It is absolutely necessary that it be turned into a fact.

*If this actualizing of a community of interest between owners and workers cannot be accomplished within the next year or two the social fabric in this country cannot be sustained otherwise than by militarism and foreign wars.* This is true because the recent "revolution in human thought and feeling and changed attitude toward life and the world," has reduced all modernized nations to a choice between the free democracy of productive art and science, and the martial democracy of the black bread. No society can endure without a common law—a meeting of minds. The rise of the modern

and scientific spirit dissolves the mental *entente*, the common respect for abstract legal theories, that sustained the social privileges of yesterday. We are launched into a new world in which intellectual assent to abstract principles must be replaced by the vivid feeling of a common interest. This new and democratic basis of law can be achieved either by free and spontaneous action from within, or by the pressure of threatened invasion from without. A modernized nation must lapse into anarchy unless it can get, in one of these ways or the other, a realistic and scientific politics—a material and tangible community of interest in white bread or black.

It is not believable that the United States is so poor in masculine and objective minds that such an emergency cannot be understood and mastered before the days of grace have passed. Men of capacity know that our present party politics is futile and



puerile, offering no prospect of adequate action.

Such men—and there are hundreds of them—must perceive that the tremendous force of the modern system of finance and industry is all on the side of the mental revolution that has discredited the abstract idealism of law and summoned men to a community of interest in material things—that this intense realism and modernism of business acts like a mordant acid upon the sentimental props that supported the old structure of privilege, and puts into the minds of workingmen the new and irresistible ideas that must compel the system to democratize itself.

These men, and all men of first-rate understanding who are engaged in great affairs, must perceive that the economic system will descend to chaos, unless there shall soon be lifted up in New York, Chicago and San Francisco a standard of conciliation and construction that shall signify a real community of interest in material things.

It is not a question of the right to work or the right to be fed, or any other generality of legalism or the debating club. The point is that the project of material civilization is vast and venturesome, and not a man can be spared. We are at war with the natural difficulties of existence and the enormous inertia of physical laws.

The standard of the new economic politics is a banner of militant art and science flung out against all ugliness and misery and the fatalism of blind forces. The old legal abstractions are abrogated because they doted on "juridic niceties" and the insoluble problem of the comparative moral deserts of mortal men. They were too confoundedly irrelevant to the practical problem of building habitable cities on this precarious planet.

The standard needs only to be set up where people can see. The youth and faith, the skill and experience of the United States will rally to it. The minds of the people are fully prepared. They await only the gesture of precipitation on the part of men that

can be believed in. The American people are sick of the old sordid and sentimental politics.

The precipitation can be accomplished in every town, with a tenth part of the preaching that it takes to conduct an ordinary presidential campaign. And this is the only kind of a presidential campaign that has any real pertinency to the exigence of these times and to the circumstances that may be expected to beset the coming year.

It is a discovery of modern psychology that the beginnings of the best adventures of mankind are usually made without premeditation, and that institutions rooted in impulse, rather than intellect, are most enduring. "The children of this world" are wise after their manner. Thus we are likely to find, when we escape from the mental fastidiousness of academic politics, that the bi-partisan or supra-partisan political "machine," which now lies under such reprobation—is in fact the crude, instinctive begin-

ning of a great adventure in democracy. For the machine is at bottom a rough sketch or caricature of that economic politics, that all-the-year-round political team-play, which is so greatly to be desired.

The machine is obsolete because of its secrecy and its inaccessibility to large social considerations. Yet it is valid as a foreshadowing of the need and use of a permanent primary, purged of abstract political theories and the cant of disinterestedness—a massing of the credits and powers of men who are not scrupulous to distinguish between public and private business, because they cannot separate their desire for riches and honor, from their desire for reality and accomplishment in their vocations—and who know that it is necessary for masters of arts and engineers to conspire and stand together, if they object to being ruled by “knaves and dastards.”

Thus by means of a New Machine, organized in the spirit of the public school, maintained by the few who are capable of politi-

cal initiative, and supported by majorities, the business system can rectify its processes, can achieve that autonomy and control of its own organs which is necessary for the sure and continuous mobilization of productive forces; and can, in short, give full expression to its own genetic principle—which is also the root principle of democracy—namely, that there is no legitimate power but the power to deliver goods.

## V

### FIVE ACTS OF THE EUROPEAN TRAGEDY

THE solution of the political problem created by the rise of the business organization, requires that politics shall cease to be passive, abstract and critical. There is need of a new and more pragmatic politics. The democratic party in modern states must tend to become an all-the-year-round association in local communities, devoted not to historical political theories or legal propositions, but to practical co-operation for the advancement of the arts and sciences and the raising of the standard of living.

The modern business organization, in its ground-plan and general purpose—as distinguished from its self-destructive perversions—is a democracy. It intends to estab-

lish a scale of social powers in which every man shall have place and influence in proportion to his productive competence. Its rule is intrinsic and self-vindicating—the rule of those who serve. It hates all forms of arbitrary power. Monopoly is poison to its constitution and tends to swift paralysis of all its organs.

The business organization is based on Capital, Credit, Contract and the Corporate Idea,—four principles of distinct democratic significance, tending to a high development of creative power and the widest diffusion of well-being.

The law of Capital requires that all wealth shall be mobilized; that dead or sterile wealth shall be transmuted into wealth that is living and reproductive.

The law of Credit requires that men shall have control of tools in proportion to their proved capacity to use them.

The law of Contract requires the elimination of fraud and duress, so that no one may derive a private advantage from knowledge

that ought to be communicated, and so that well-fed people may not drive hard bargains with the hungry.

The law of the Corporation requires that personal liability shall be limited, wherever the knowledge and experience of society at large can stand the strain of the reversionary liability—in order that enterprise may be constantly pushed forward into new and difficult fields.

Whenever the business organization departs from these principles, it violates its own constitution. It becomes unpractical and unbusinesslike. Its machineries grind their own cogs, and the wheels slow down. Hence come business depressions, panics and financial catastrophes.

So long as political authority lives and moves in a realm of antique legality—refusing to understand that business must be moralized and socialized according to its own inner law—business will be compelled to abandon its own natural democracy in



order to grasp weapons wherewith to combat the false democracy of politics. It is idle to hope for democracy in business, so long as we stick to the ancient superstition that business is necessarily baser than politics—so that it is wrong to be predacious in a political office, but right in a business office. If we will insist that a sense of social obligation is matter of course in politics, but utopian in business, we shall not escape, nor deserve to escape the calamity that has fallen upon Europe for this cause.

The war in Europe is at bottom not a conflict of races or of political ambitions. It is the explosion of a bad business system. It is the judgment day of plutocracy.

Nothing of first-rate importance could have happened in the modern world that did not have its root in the stupendous and unprecedented organization of finance and industry. This organization is comparable as has been suggested to the vast international fabric of the Mediæval Church. The busi-

ness system of Europe has now been shattered—as the Church was shattered at the crisis of the Reformation.

The business organization is not destroyed. But it can recover a cosmopolitan character only by deepening its life to the grounds of its essential constitution.

A normal business system is one in which profit or successful market competition is dependent upon social efficiency, i.e., upon successful competition in the field of technology. In the degree in which command of the market is made independent of the control of natural forces, in that degree monopoly prevails. Thus a social system in which the mental driving force of men is ever more and more directed to the mastery of the market, and ever less and less to the mastery of materials,—must be regarded as organically diseased.

Such was the actual case of the business system that has come to its end in Western Europe.

During most of the nineteenth century, business in Europe and America made steady technological gains. An increasing percentage of the emotional energy of the race was diverted from the bootless wrestle of mind against mind for place and power, and was invested in the struggle of mankind against the natural difficulties of existence. The United States—partly because of its extraordinary natural resources and partly because it got its population from the pick of European stocks—led the way in this international development of creative power.

Toward the end of this period monopolistic trusts appeared. They stood out from the surrounding business area as definite and definable things. It was possible to count them. It was reasonable and useful to study them in detail.

But before the beginning of the twentieth century this ceased to be the case in Europe. For more than twenty years in Great Britain, France and some other Eu-

ropean countries the struggle for the control of the market has unceasingly gained upon the earth-struggle. It was as if the hand of man had slowly but steadily relaxed its earth-hold. The result has been that the ordinary unprivileged man has found it harder every year to get a living. The monopolistic trust ceased to be an exceptional thing. Its principle became all-pervading. It struck into the heart of society. It held the controlling centre of the business system.

On the other hand, it came to pass that the United States, the country in which trusts continue to be outstanding facts easily to be described and enumerated, was precisely the one great industrial country in which the trust-principle was *not* all-pervading.

The modern business organization centres in the bank. All modern business takes its moral and mental tone from the banking business. It was not always so. There

was a time when banking was a trade like any other—just one of many commercial activities. In the beginning the banker sat cross-legged behind a bench heaped with coins, and changed one kind of money into another. The banker grew in time to be a broker in exchange instruments and certificates of debt. But it was not until the days of the Rothschild brothers that the banker became master of credit and ruler of the bourse. It was through the flotation of modern joint stock companies and the development of the modern system of public debts that the banker passed from the circumference to the centre of society and became sovereign in the world of business.

Probably nobody deliberately planned the transfer of the centre of gravity of modern society from the field of politics to that of finance. It happened, as many prodigious things happen in history—silently and without observation.

It was reasonable and inevitable that the controlling centre of modern society should

shift from abstract politics to business,—from the world of theories to the world of work. But it was neither reasonable nor inevitable that this new centre of control should be administered by men having no interest in the working world except a private profit-making interest. It was not reasonable and it was not inevitable that all the projectors of civilizing enterprise should have been deflected from their social mission and compelled to serve in some degree at least, the private ambitions of a creditor caste. This was unreasonable and it might have been prevented. But it happened so.

The historical misfortune or malfeasance which made the banker master of lawyers, physicians, engineers and men of science—whilst leaving him to be guided by the social ethics of the primitive money-changer—is the spring of the woes that have come upon the world of business.

If a date were to be set to the beginning of this error, no date would serve so well as 1694, the year of the founding of the

Bank of England. That event fixed the fatal bent of modern banking. The Bank of England set itself up in business by making itself chief creditor of the British nation. Its qualification for the impartial administration of the credit function of society consisted in the fact that the English public owed it a great deal of money. This was almost as if the judicial system of England had been intrusted to judges who had first qualified as plaintiffs in weighty law suits against the commonwealth.

Following the example of the Bank of England, most of the other banking systems of Europe and America have been founded upon public debts. No doubt the theory of this procedure was that creditors are bound to interest themselves in the prosperity of their debtors. But the theory is gravely defective. In practice those whose business is money-lending are mainly interested in swelling the amount of their debtors' obligations—to a bare inch from the edge of insolvency.

Under modern conditions banking has become the most intimate and vital of social functions. The general office of the banking business is the exchanging of private debt-certificates for certificates of public debt, i.e., for money or credit. The customers of the bank turn in to it their documented claims against individuals; and the bank gives back to its customers, claims against the commonwealth.

Underneath all the disguises and complications of modern banking the bottom fact is that the bank has become in effect the public market for saleable goods and services. That is to say, that through the system of bank-discounts, it has become customary for the banker, as agent for the community, to appraise and underwrite the value of commodities in exchange. Thus, in practical effect, the public buys and carries the goods, during the interval that elapses between the beginning and the end of an ordinary commercial transaction.



It is not permissible to say that the banker does this in his private character, and without any public agency; for in general the banker would be wholly unable to give effectual credits—credits of universal validity—if he did not have the backing of public authority. The banks live by their relation to government and law; and their credits in favor of their customers are accepted solely because they are believed to be valid charges against the public, charges which the public will everywhere honor and approve.

Modern banking has been made a mystery impenetrable to the unprofessional intelligence. The whole subject has been thrown into confusion through an effort to treat the most public profession in modern life, in the irrelevant mental categories of the money-changing trade from which it grew. It is of course not to be supposed that bankers have deliberately conspired to obscure the fact that the public is a party to all modern banking transactions. But

there is an atmospheric pressure of class-interest. And it is the class-interest of bankers to find some means, whereby they may always have on their counters credits to sell that are really charges against the public—charges that the public will pay—whilst confessing in their own person to only an irreducible minimum of public responsibility.

It is, for example, this class-interest of the bankers that has succeeded in maintaining even to this day, and in the face of the most dramatic and convincing confutations—the fiction that bank-charges are made, not against the commonwealth, but against a “gold reserve.” Again and again in times of stress—which are the only times in which the fiction is subjected to any test—the bankers of the United States have openly abandoned the fiction, and have resorted to the general economic basis of the commonwealth—through the issue of clearing-house certificates or otherwise. Nevertheless there are people who insist with the fixity of su-

perstition, that there is no solid ground of economics between the golden cloud-land of financial orthodoxy and the bottomless pit of "fiat money."

It is to be admitted of course that—however inadequate metallic currency has proved to be as a basis for the whole body of bank-charges—it is nevertheless true that "the gold standard" has an important part to play in modern banking. When it is understood that the bank has become the universal market where all values are appraised and registered, it will be easier to understand the indispensable usefulness of gold as the unique commodity that furnishes the convenient "standard" for every appraisal—since it is the one commodity that is always and everywhere free from discount. *It is absolutely marketable.* Because gold has an absolute market it furnishes a basis upon which to assess and state the marketability of all other commodities. Thus as gold ceases to be a necessary "medium of exchange," it is likely to become all

the more incontestably the supreme measure of value.

The economic system of Europe has gone to pieces because it was unpractical and self-contradictory in its ground-plan. The fatality which now fills the world was involved in the very nature of an economic system that was worked in the interest of a creditor class, and that could not otherwise work at all.

Here is an outline of five acts in the European tragedy—a drama that was driven forward from generation to generation by a moral fate as irresistible as that revealed in the inflexible movement of an *Æschylean* play:

First, the rise and development of an abnormal industrial system controlled through the bank by men whose aim is, not the advancement of industry, but the accumulation in their own hands of legally enforceable claims against society at large.

Second, the splitting of society into two

classes through the chronic depression of all domestic business except such business as tends to increase the holdings of the creditor class.

Third, a political reaction of the debtor and employé class to compel the government to take a hand in business; and a corresponding movement of the creditor class, who seize upon the government and make it their agent for the exploitation of foreign fields of investment.

Fourth, the rise of a sharp economic rivalry among governments and between allied groups of governments, the cultivation of racial antagonisms corresponding with these economic interests, and the development of vast armaments to enforce the rival claims.

Fifth, the catastrophe.

In reviewing the stages of this tragedy, it should be observed concerning the first fatal step that the mistake was not merely an error of judgment—as one might choose a drug from the wrong bottle. The Euro-

pean peoples could never have consented to a business system so devoid of science and art and of social conscience, if Europe had not been beguiled, through ages of literary and religious misunderstanding, into the false notion that the world of economics is a kind of nether realm or moral purgatory, necessarily to be given up to the baser and more carnal motives, and offering no fair field for public virtues. It was not possible for Europe to understand, say in the early days of the nineteenth century, that the business organization may at length evolve a cosmopolitan law and order and become the bearer of the world's illustrious traditions of civilization and fraternity. The great war is due to this moral impoverishment of the European financial organization. So far from its being true—as many have supposed—that the financial régime of Europe was a basis and preparation for peace, it is now revealed that unescapable and wide-spreading conflict was the necessary consequence of that régime.

Passing then to the second stage of the tragedy, it is to be noted that nearly every European nation was split into two opposing classes, not because the institution of private property or the natural evolution of business, necessarily entails such a result—but because European business was, at heart, unbusinesslike. The mass of the people were thrown into opposition to the business-system because they were shut out from it. It was not big enough or strong enough to contain them. It failed to create a volume of activity sufficient to absorb the working-power of the multitude. Everywhere there were more men than jobs.

Following the unscientific and socially destructive financial traditions of the Fuggers and Rothschilds, European banking warped and distorted the business system and choked the springs of enterprise. Where there is a low voltage of enterprise, employment becomes a favor or franchise held by permission of the employing class. Thus political equality between capitalist

and laborer is reduced to the level of a sentimentality.

The followers of Marx and Lassalle have been taught that the social schism is due to the very nature of modern business. That is a mistake. The split is due to the corruption of business. The fault is not in the principle of private enterprise or of capitalistic production. The fault is the suppression of enterprise and the destruction of capital by those who have had the administration of credit. The class-struggle would instantly disappear under a credit administration making securities secondary to productive efficiency. For under such an administration the employed would cease to be a class apart. Enterprise would outrun the race-capacity for accomplishment, since the power to conceive workable designs is greater than the power to carry them out. Competition among employers would be sharper than among employés, since it is pleasanter to execute one's own plans than another man's.



The third act in the European tragedy was the perversion of government that necessarily followed upon the severing of classes. The governments of Europe were turned to abnormal uses, in the instinctive social effort to heal the class schism.

The state became the cat's paw of finance. But the first impulse in that direction proceeded not from the capitalist class, but from the debtors, the disaffected and disinherited. It was the discomfort of the masses that first cried out for governmental intervention in business affairs. The people who had failed in the race for a competency demanded that the government should become their agent for the improvement of their estate. It would not have been easy to develop the European system of commercial statesmanship—what is called in America, “dollar diplomacy”—if the road to such an innovation had not been paved by popular demand. The state first became semi-socialistic, in response to the demand of the working-class. After that it was easy for the

capitalist class to make the state armor-bearer in the quest for foreign markets, and bailiff for the collection of foreign debts. It need not be supposed that such men as Sir Edward Grey and Mr. Delcassé intended to make themselves the tools of a privileged class. Nevertheless the fact remains, that the governments of Europe have been perverted to uneconomic uses.

The malignant strife of state against state for the control of foreign fields of investment has never benefited the mass of the people in any country. After the purchasing-power of the home people has been destroyed by the extortions of monopoly, after all prospect of large profit has vanished from short-haul trade, there remain the cheap labor of far lands that know no factory acts, the stores of nature in places that are not well policed and the naïve curiosity of the friendly savage. It was possible to exploit all these by the help of the Foreign Office. And Europe has done that with dreadful consequences.

The terms of the European trust problem were presented on so grand a scale that American observers commonly failed to get a full view of it. Their eyes were adjusted to such minor monopolistic phenomena as appeared in the American development of the oil and sugar trade. They were looking for the small conspiracies and oppressions of private corporations. Consequently there were few Americans with mental focus upon the fact that Europe was in effect all one country with a single financial constitution; and that this United States of Europe was being torn to pieces, not by private corporations like the Sugar Trust and the Standard Oil Company, but by national governments or public corporations that had fallen into the hands of monopolists and been perverted from their historical and civilizing purpose.

Thus the fourth act of the European tragedy—the revival of obsolescent racial antagonisms and the development of crush-

ing armaments—meant that under the screens of patriotism and diplomacy, rival groups of monopolists were playing a deadly game for the hegemony of the universal realm of arbitrary credit and commercial exploitation.

It is not necessary to suppose that the rival financial groups that made use of foreign offices in the struggle for “spheres of influence” in China, in the division of the East and West littoral of North Africa, in the partition of Persia or the apportionment of transportation privileges in Asia Minor—were monsters of cunning and malice, or even that they were less conscientious than ordinary men. They were in general following the plot of a sociological drama, whose lines they hardly understood. A near view of high financiers in European capitals does not impress one as a presence of seers or prophets. Certainly these gentlemen did not generally foresee the catastrophe.

*This European shock is a convulsive effort at readjustment, following upon an in-*

*tolerable crowding of rival monopolies that were striving desperately to keep a footing upon a shrinking base of exploitation.*

The German Empire was the most powerful of the giant trusts—because it was the most practical. It had the firmest grip of natural facts. It was isolated by the very fact that it worked in a more scientific spirit than did the great financial combinations of England, France and Russia.

One may generalize the features of the trust-war in Europe by stating the following propositions:

All Europe belongs by nature to a single economic system.

Europe can have assured peace only when that system works with congruity and reciprocity in all its parts.

Any attempt of one European nation to get rich at the expense of other European nations is bad business, and tends to destroy the peace of Europe.

When several nations make such an at-

tempt, the best initial success will fall to the nation that is comparatively just to its own working-class and relatively efficient in the use of tools.

If there are other competing nations that are decidedly less just and less efficient they will naturally tend to form a combination against the more successful monopoly.

A sound international business system is a democratic organism, that must grow in a democratic political atmosphere, from the germ-cell of the local democratic community.

Any social system incurably infested by monopolistic trusts must move with a constantly accelerated momentum toward an explosive dissolution, i.e., war. This is so because the volume of production upon which the trusts feed, diminishes with increasing rapidity in proportion to the exacerbation of the trust-struggle.

We may dismiss from our minds any thought that monopolies can set up a per-

manent tyranny in Western Europe or America. Under the conditions that obtain in these parts of the world monopolies are in constant flux. Little trusts can grow into big trusts. But after they have grown big, they cannot combine and rule society. They can destroy society but they cannot govern it. Monopolistic trusts cannot govern society because privilege cannot get itself believed in by the mass of the people. And government is a matter of the sincere meeting of many minds.

Thus the case stands in Western Europe and America. It is different in Russia. Russia belongs to the past. And in times past it was possible for a supreme economic monopoly to acquire a spiritual consecration—dynastic, academic, ecclesiastical—and thus to arrest the flux and unsettlement of power that comes of the strife of rival monopolies. But today in Western Europe and America we have lost irrevocably, and left behind, all chance of securing peace on a basis of consecrated privilege. It has be-

come impossible for us to believe in the right of one social group to enslave or exploit another. We permit it—with pity, with passivity or with cynicism—but we cannot *believe* in it. In losing the ability to heartily believe in privilege we have been committed to a great adventure. We have let go of the principal old-time safeguard and guaranty of peace. We cannot have peace any more except on a new and modern basis.

We have now entered into an era of wars—an era that offers no promise of coming to an end, until our economic organization has been, quite definitely, purged of privilege.

For several generations we have been living upon the projectile force of what our ancestors believed, and thus have been able to keep the peace on a quasi-Russian basis. That force is spent. We must begin now to live on our own beliefs.

The European war is not a conflict of religions or of ethnic cultures. The race-hate that has been put into it is plainly fac-



titious. Neither is there a rivalry of political principles; the outcry against the Cæsarism of the Kaiser comes from those who invoke against it the Cæsarism of the Czar.

All the evidence goes to show that Russia was the only country in which the ruling powers desired a general European war. The conditions for the explosion were prepared by a generation of blind economic rivalries,—class against class and government against government. But the war was not planned or desired by any class or government in Western Europe. No class or government in Western Europe can gain by the war.

Now-a-days the nations are so bound together in economic relations that no economic tendency reaches its full-orbed development in a single country. The continual collisions and dislocations of rival monopolies—through their efforts to maintain their standing-ground upon a narrow-

ing base—have never been fully worked out to their violent issue, in any one country—because always hitherto it has been possible to widen the field of exploitation by taking new spheres of economic influence from feeble foreign peoples. It was because this process had been checked so far as Europe was concerned—and is indeed coming to an end throughout the whole world—that the great economic combinations of Europe were thrown violently against one another.

The European cataclysm was postponed again and again by diplomatic finesse and delicate readjustments—until the combinations had settled into two groups. Those groups—as has been intimated—stood in sharp contrast, with reference to the character of their monopolistic development. Trustification in the German Empire and in Austria-Hungary, its economic imitator and protégé—had a patriotic character and a kind of popular sanction. The German trusts and cartels were openly fostered and feudalized under governmental auspices.

The people did not generally regard them as agencies of privilege. Socialism saw in them a tentative approach toward its own ideals. It was as if the whole German people had been taken up into a huge imperial trust for the exploitation of the non-German world. In its foreign enterprises Germany kept its violence in reserve. Germany had no Boer War, no Tripolitan conquest. In general it relied for its expansion upon commercial shrewdness backing a superior industrial technique. It submitted to serious economic checks in Morocco, at Bagdad and elsewhere, rather than resort to war. Nevertheless the German Empire of yesterday was a huge economic monopoly. Its spirit was grasping and exclusive. It paid little heed to the interests of civilization at large. It turned the whole force of concentrated will and organized intelligence to the problem of making Germany rich, without any scruple about the wealth of Europe or the general advantage of mankind.

In Great Britain and France, on the other hand, the process of trustification was subtle and unavowed. Trade monopolies rested more upon custom and inertia than upon any positive conspiracy or high-handedness. Certainly they had no governmental sanction, no popular support, no shelter of statute law. Yet there was wrought out in each of these countries a "money trust," or concentration of arbitrary credit power—not by conspiracy, but by class-instinct—that had no parallel elsewhere in the world. The banking-systems of Britain and France stood in contrast to the social intelligence and constructive enterprise of the German system. In France and Great Britain there was little financial patriotism. The industrial rise of Germany was accompanied by an industrial decline on both sides of the English Channel. The banks of London and Paris did little to prevent the decadence of British and French enterprise and technical art. They did much that accelerated the process. They diverted the work-

ing capital of their own countries to far-off investments. England which had led the world in industrial technology, lost that leadership beyond recall. The deterioration in its industrial life was accompanied by a dreary depopulation of its country-side. The British became the world's great creditor nation. British capitalists drew tribute from overseas that dwarfed the pro-consular revenues of ancient Rome. Their annual income from investments outside the British islands was seven times as much as the profits of British commerce with other lands. Yet nowhere was there deeper or more desperate poverty than in Great Britain.

In Great Britain and France the purchasing-power of a day's work had steadily declined since the beginning of the century. How could it be otherwise? The central economic power, the power of the banks, had been assiduously spent for two or three decades, not in the development of the material and mental resources of England and

France, but in the nourishing of what the law of England rightly calls, "unearned incomes."

Particularly it is to be noted that British and French gold was poured into Russian business and the treasury of the Russian state. Russia is a country in which economic privilege needs no cloak. The Russian State is a politico-economic trust supported by emotional and conscientious sanctions.

With the arbitrary credit-power of St. Petersburg—a power derived not from negotiable securities, but from the holy chrism of the Czar's coronation—the credit powers of London and Paris, equally arbitrary but less secure, struck hands in a community of interest that was syndicated under the name of the Triple Entente.

We have been living under the illusion that social questions were merely questions of improvement, that at the worst the ex-

isting social fabric would stand—and wait to be improved. We may perceive now that there are social questions that cannot be postponed—that social wrongs, when they go deep enough, are mortal. The fabric of society dissolves under one's feet.

## VI

### CONTROL OF WORKING FORCES

**T**HERE is a bank on upper Fifth Avenue in New York that fronts the street with the conspicuous legend: "Depository of the United States, of New York State and of the City of New York."

That sign serves as a convenient symbol of the fact that banks are still supposed by simple folk to be just places where people put their savings. Even governments and political constituencies have not yet learned that great commercial institutions (such as the bank that bears this sign) are not so much store-houses of public money, as power-houses for directing and controlling the working-energies of this age of great combinations—an age in which nobody can work without associating his skill and knowledge



with the skill and knowledge of many other men—through the bank.

*It is not a question of money—or even of tools. For if the whole material apparatus of our civilization were swept away by some unimaginable disaster, it would be found on the day after the deluge, that the artists, artisans and engineers would resort to the banker—as minister and preserver of legal obligations—for means of correlating their productive abilities, to make a new start in life.*

Thus the credit-power is only incidentally concerned with material goods saved out of past labor. Its predominant and all-important office is to conserve and co-ordinate the incorporeal hereditaments of the race—the artistic and scientific abilities by means of which the material fabric of civilization is daily and hourly renewed.

That modern finance is not, in the main, an economy of “savings” could be shown objectively on a great scale by a study of

the phenomena of the export of capital—the processes of money-lending across national frontiers. It appears, for example, that ever since the Napoleonic wars Great Britain has been exporting capital and the United States has been importing it. It is impossible to believe that the United States really borrowed tangible goods from Europe to the amount of its indebtedness to Europe, or that Great Britain, with its declining powers of production, has been sending commodities abroad in excess of its imports, to anything like the amount of its immense foreign loans. The fact is that during the last few years British imports have exceeded exports by about a hundred and fifty million pounds a year; while at the same time—marvellous to tell!—British foreign loans were increased by about a hundred and fifty million pounds in 1911, a hundred and seventy-five millions in 1912 and two hundred millions in 1913.

No, Great Britain became universal cred-

itor and won her immeasurable annuity from the working-world—by capitalizing the civil security of her social structure and her command of the ocean-roads. Thus it is possible to imagine that a strong and secure country, among weak and insecure countries, could become universal banker and universal creditor—without doing any productive work at all.

When one considers how the administrators of credit and general finance are able to capitalize and set over to their own account the gains and honors of law and order, it becomes evident that in any community where the credit-power is exercised only in the interest of an investing or creditor class, it must be impossible that the law should not be executed with a bias in favor of that class. In a society of padrones and peons it is idle to talk of equality before the law. By the same token it should be evident that a creditor-nation among debtor-nations will dictate the terms of international law, *until the day that its credit-structure falls.*

The strength of creditor-nations is merely specious. No nation that lives upon unearned incomes can be other than weak at the vitals. England at the date of this writing has virtually confessed that she cannot go on with the war to the spring of 1916, unless she can borrow, without present ability to pay for it, the use of the industrial system of the United States. On the day that the Lord Chief Justice of England with his suite of financiers lands in New York on this errand, Mr. Lloyd George declares with passionate frankness to a labor union congress at Bristol that the war is at bottom not a conflict of soldiers but of mechanics. Thus it is the American mechanic that must shore up, for a little space, the tottering tower of British finance. All of which goes to show that England has not "saved" so much money as was supposed.

Every advance in art and science tends to eliminate time and labor from the productive process. It is conceivable that time and

labor could be so far eliminated that all the material goods—food, clothes, housing, transportation—necessary or convenient for the maintenance of high civilization, might be produced easily within the space of a single year. It would then become obvious that the social structure itself is the predominant factor in economics, that commodities are mere emanations from the power of the social organism, that the community is really capitalist in chief, and that the administration of credits is a social function whereby each undertaker of enterprise is empowered to wield an economic force proportioned to his proved ability and to the magnitude of the social task. If we suppose that these four staples of the economic fabric—food, clothes, housing and transportation—make equal demands upon social strength, they would require equal credits; and these credits would be used up *pari passu* through the year and the accounts cleared against one another, without any considerable amount of initial capital.

Now this imaginary foreshortening of the period and effort required to create the essentials of civilization does not alter the principles involved in our actual social state. It only makes plainer what is now obscured—to wit, *the fact that capital has already ceased to be in the main savings or accumulated commodities and has become mainly social credit.*

Our actual business system is blind to the truth that the organization of intelligence and morals—the civil community—is the principal agent of production; although that truth has been sharply emphasized by the modern grand-scale development of public education—with its plain implication that the racial inheritance of science and art is common property, and that this kind of property is more precious than any other kind.

A world-wide business system has been built up on a false basis. This system has been supposed to have an existence inde-

pendent of civil society. Capital, credit, contract and corporate organization have been conceived of as if they were facts of nature—like the laws of chemistry and physics. This idealistic abstraction of business has not enabled business men to wholly disregard the state—as has been shown. Its practical effect has been to degrade the state and to subject it to a degraded business system. The public and political organization of science and art has been thrown upon the market. Its gains and honors have been made a prize to be gambled for. The control of the police power has fallen into the hands of the masters of finance and the owners of the organs of information.

Germany has had a more humane working organization than France or Great Britain because, under the rule of an un-social business system, political feudalism is more benign than political liberalism.

Liberalism, now-a-days since the rise of the credit power with its control of the

press, is a spent force. It is powerless to resist the encroachments of monopoly from any quarter. In spite of certain current sentimentalities to the contrary, it really is better that the intangible goods of a people—the common heritage of art and knowledge—should be guarded by a public-minded autocracy than by a private-minded oligarchy.

The socialists demand “public ownership of the means of production.” They mean land and tools. They fail to understand that the power of exploitation does not rest in the possession of land and tools, but in *a monopoly of the means of getting people to work effectively together*, which is in truth a monopoly of the thing that is the quintessence of civilization. For civilization is at bottom nothing but a sensitive understanding and correspondence among a number of persons whereby they are able to “pool” their several kinds of knowledge and skill, of art and science, in accordance with some practicable scale of relative com-



petency. This team-play of civilization is the source of political power, since it is the source of the power to build cities by means of tools or to destroy them by force of arms. The sovereignty lies in the control of this team-play.

Those who have in their hands the means of combining (or disintegrating) the skill and knowledge of populations, do not need any other means of political or social control. They do not need to hold political or military offices. They do not need the titular proprietorship of land, tools or any kind of tangible capital.

Now the means whereby these social combinations are actually effected in the United States are the agencies of credit-administration and the news-service—the bank and the press. These constitute a fairly coherent though imperfectly consolidated power which easily subordinates the church, the school and the political machine.

Hard times and the social problem are caused—as has been said—by an impulse of

self-protection on the part of the investing class who instinctively inhibit all enterprises save the kind that obviously inure to their group advantage—as mortgagees of the general industrial plant. There is no conspiracy and no need of conspiring. There was no need of conspiracy among Pilate, Herod and Caiaphas—nor any very high intelligence.

Not much is to be got at this juncture by agitating for new laws. It should be frankly admitted that our present legal system is fairly expressive of that degree of popular right that can be enforced. If the law were made more human, more democratic, it would remain a dead letter.

The law is enforceable only by economic power. Economic power in the last analysis is power to bring people together for productive operations—or to keep them from coming together.

As things stand this power has been for the most part concentrated in a few hands. Thus the enforcement of law is in the hands

of a few. There is no way of changing the enforceable laws save by the transference of economic power.

This is not so difficult as it seems—since every person who is able to live at all has within his own control a certain amount of economic power. Everybody can in some degree influence productive combinations.

It is possible in any community for a dozen or a hundred persons to associate themselves in an economic combination that would be very formidable to monopolists. And if the members of such a combination were really determined to get rich only by enriching the community, they would soon draw to their aid all the sincere and capable men of the neighborhood. They would be able to establish a permanent political primary and to effect a transference of economic power.

The new distribution of economic power requires merely that people shall assemble the weight of their several actual estates on a basis of real interest, and without af-

fection of social sacrifice; that they shall cease and refuse to keep their social and spiritual interests separate from their material and economic interests, that they shall come to understand that all really significant spiritual values can be and ought to be expressed in material terms. And that they shall thus free themselves from the rule of an abstract and merely documentary money power which nearly everybody—including many of those that wield it—secretly hates.

The refusal to believe that public spirit or any human motive except gain has an intrinsic relation to the productive process, is the peculiar ineptitude of western democratic countries that have been historically possessed by the idea of the inhibitive state—the idea that the public power exists merely to keep people from doing wrong or to punish them if they do wrong. Thus all the idealizing faculties are cut loose from the realizing faculties. Human nature is maimed.

To a consistent psychology or sociology it should be plain that an economic system, voided of ideal and social motives, must inevitably split in two. The socialists are right in their notation of a class-schism. They do well to point out the reality of an opposition of interests between those who are paid for owning things and those who are paid for doing things. But the socialists are wrong in supposing that they can heal the schism by extending the sphere of ownership—making ownership political and universal. Nature is too urgent for that, the difficulties of existence are too real.

Ownership is not power. The existing power of misrule does not lie in ownership. It lies in the control of enterprise through mastery of news and credit, i.e., not in the direct control of things, but in the direct control of the power to make things—the power to co-ordinate working forces. Thus the New Haven Railroad is controlled by the Morgan bank, though the bank is said to hold less than one per cent of the capital

stock. Mr. Rockefeller controls the Colorado Fuel & Iron Company and affiliated concerns—without majority stock-ownership, and so on.

As things stand in the realm of business it is considered un-male to have or profess any other aim than acquisitiveness. In the realm of government or civil service, acquisitiveness is regarded as an almost complete disqualification. Certainly the open profession of that motive is completely disqualifying. Thus the public service is full of an hypocrisy of altruism, and private business is full of an hypocrisy of egotism. These mental poses are equally unpractical.

It is natural for men to be altruistic and egotistic at the same moment and in the same deed. And the individual in whom the two motives are most perfectly amalgamated and indistinguishable is the sanest.

The corruption of politics is largely due to its monstrous pretense of perfect altruism, its theory that a governor or a judge

must have two minds—a private mind and a public mind—that only in moments of rest and relaxation is he entitled to the exercise and enjoyment of his characteristic thoughts and emotions. On the other hand, the unpracticality of business—its failure to feed, clothe and house people with an efficiency proportionate to the skill of modern men and the excellence of modern tools—is largely due to its unnatural affectation of pure selfishness, its inherited theory that a good business man must be two men, that in office hours he must be perfectly unconcerned about the happiness of other human beings and that he must be “good” to his family, his friends and the community at all other times.

Nothing can prevent the growth of monopoly, the eclipse of prosperity and the subsidence of liberty in the United States, save the rise of a political party that is businesslike and practical, or (what amounts to the same thing) the development of com-

manding organs of business that are actuated by public and civilizing motives.

A peace ruled by duplicities has produced war. The war is a test of the realism of modern nations—a purge of national cant and political phrase-making, a drastic solvent of all merely documentary relationships, a destroyer of factitious finance, a restorer of the validities and virilities of economics. War is a horrible fever; but it burns up morbid tissues. The nations that undergo the severest discipline of this experience may emerge as the strongest nations. There is danger that the United States, for lack of a fire-and-acid test, may come out weakest.

If the United States is to preserve even its former relative strength it must subject itself to a political and economic discipline—must swiftly develop a more practical politics, a more productive credit system, a more veracious news-service. Thus rapidly must we run—if we are to stay where we are. We must run much faster than that,



must overthrow the rule of jobbers and speculators and produce a real democracy, a rule of the servants—if we are to get forward and make terms of peace for the rest of the world.

The sickest nation is not that in which men have the hardest hearts and commit the most ruthless deeds. The sickest nation is the nation in which great cruelties have become wholly impersonal, chargeable to no man—in which such cruelties are accompanied with an exquisite sentimentalism and an immense outpouring of charity, and in which the responsibility of individuals has everywhere given place to a worship of natural forces, to a reverence for legal abstractions, to religious faithlessness, a fainting sense of personal existence and an overmastering sentiment of fate.

## VII

### TRANSPLACEMENT OF THE CENTRE OF SOCIAL CREDIT

**T**O find a form of government that will not repress the practical arts—that is the gist of the social problem. It always has been so.

The life of a personality upon this planet is not a matter of nature, but of art. And a society of personalities can be maintained only by a continual tension of the human spirit, drawing against the drift of blind forces.

As a matter of history, it has been very difficult to find a mode of government favorable to the development of the practical arts. The development of the practical arts requires a co-ordination of many persons in a spirit of devotion to the realities that condition health and welfare, in face of the

enormous difficulties of existence. It requires such gallantry of devotion that each man in an emergency must prefer to deliver the goods of life without reward, rather than take the reward without the delivery.

To be sure such devotion is not at all above the level of common human nature. It has been exemplified, after a fashion, by a majority in all nations and at all times; and it is to be observed every day among miners, engine-men, chauffeurs, physicians, and so on.

It appears that the human race is set apart from all sub-human races in the biologic scale, simply by its awful faculty of imagination. There is nothing the matter with the race except its misuse of the power to conceive things that do not exist. The race does not need wings in order to be glorious. It has always been glorious, whenever the imagination has been turned earthward, to invest with splendor houses, lands, engines, bread and wine.

It appears further, that the Authorities of the universe are not able, or not willing to dispense us from the dreadful peril of the misuse of this conceptive power. We have to take the risks and make our own choice. It is open to us to pass from the status of creaturehood to that of creatorship, by taking this power to conceive the non-existent and using it to make new things exist. That seems to be the normal process. Men can be made sane and intelligible to one another and can make themselves at home in the material world, by investing their conceptive faculties in the business of building cities and subduing the land and sea.

But the mass of men have never had the courage—the faith, if you please—to do this with any steadiness of purpose. Mostly they have used the imagination, *not to master the realities of the world, but to escape from them*. Thus it has been difficult to establish the social and political correlations necessary for the advancement of the practical arts.

The historic races have mostly refused to be romantic about real things, and have spent the heart-rending energy of their idealism in the quest of holy grails and golden-fleeces, and in the defence of platonic and utopian sovereignties of state.

One might generalize the history of sovereign states by showing that, in each particular case, there has been some sort of an organization for the improvement of the practical arts; but that this organization has always been weaker than another organization within the political body that has drawn steadily in an opposite direction. And the latter has at length reduced the former to such feebleness that the state could not live in peace, and was obliged to hazard its chances of recuperation or destruction, in war.

The operation of these two polarities within the body of the historical state, may be understood by regarding each of them as a credit-centre, or a clearing-house of social appreciation and emolument. To the

extent that the individual is assured of honor and reward for contributions to the practical arts, society is strong and sane for progressive peace or defensive war. But the actual state of history has usually been dominated from a credit-centre offering the highest honor and reward on quite other terms.

Generally the state has been devoted to slow or swift suicide by the very terms of its legal constitution. For generally the law has not protected the artists and earth-wrestlers half so well as it has protected those who had claims against them. Thus society has destroyed its own livelihood. To fix the legal conditions of honor and income in a manner that runs counter to the outdoor conditions of the earth-struggle, subverts the working establishment by which we live.

It is obvious that a country with a legal credit-centre that offers the highest social promotion and career to mandarins who are merely erudite or accurate in letters, is like-

ly to be as feeble as China is. A state in which lawyers or priests are raised to the highest places, solely because of their ability to maintain a logical theory of legality or divinity, cannot possibly be strong. A state that makes the whim of a prince the chief fountain of honor and profit, will find that its tools drift into the hands of men that cannot use them. And a legal system that is perfect for the maintenance of claims against its general industrial plant, but indifferent about the maintenance of the plant—will surely wither on contact with any rival system that reverses those terms.

The summation of all the varied suicidal ways of administering credit is reached when one understands that this wistful, yearning, visionary race of ours—with its fixed reluctance to idealize anything that it can see or handle—has always loved fine words and logical formulas much more than it has loved good work. Therefore it has generally erected its rigid systems of law on some utopian notion of perfect justice, fraternal

liberty or divine authority, and has offered its social dignities and its great incomes either to charlatans, or else to persons rapt and simple enough to take the Utopia for a fact,—and skilful with words to fortify the people in their fond illusion.

The mass of mankind has always been ready to crucify the Man that stood for the fine Thing, against the fine Word. But afterwards, and in proof of its faithless sincerity, the crowd has flung itself to death on battlefields, for the Word.

Through most of our racial experience in politics the centre of social credit for service in the arts, has stood over against and has been quite distinct from the credit-centre that has dispensed honors and incomes for conformity to some abstract and ideal standard of social worth.

But the characteristic and crucial fact of our own time is that the two centres tend to coalescence in the modern circle of industry and commerce whose vortex is the Bank.

This coalescence puts the ancient political



issue in a new and unfamiliar shape. The sphinx riddle—which men must answer or be eaten—is now posed with singular poignancy.

*The bank as credit-centre is the most subtle and powerful organ of social control that has yet appeared within the universal field of politics.* A way has here been found whereby a single central organ can determine the general direction of enterprise and administer the artistic and scientific abilities of a community. It can dispose not only of actual values but also of potential values. It can command time-distance as railroads and telegraphs command space-distance. The bulk of its transactions are actuarial and prophetic. It reaches forward and handles the stuff of the future.

We have been slow to perceive that this wonderful modern organ of credit is necessarily political, because it has come gradually to the exercise of its central social function and has been developed out of an organ

or agency that in its origin was not socially vital. The banking business—as has been said—grew up from the business of changing money or from the craft of goldsmiths. It has developed into an organ of social control by long processes. These processes may well be compared with those by which law-courts, legislatures and executive offices have developed out of the casual improvisations of umpires, counsellors and captains in primitive society.

A similar account should be given of the evolution of the press or the organization of news. The news-service, like the credit-service, is a governmental power. Both tend toward complete monopoly—not indeed by any law of physical nature, but by that law of the human mind which demands unity in essentials. But the news-service is, for the present at least, subordinate to the credit-service and practically concentric with it. Therefore a sufficient understanding of this phase of the new politics may be got from a study of the bank.

An adequate study of the modern political organ that has grown out of the ancient business of exchanging and storing money, must soon be undertaken. It is intended here to indicate merely the general lines of such a discussion. The orthodox writers on the subject usually assume that banking is mainly a matter of transferring money and claims upon capital, in accordance with some natural law of supply and demand that the banker cannot alter and can only obey. The truth is that the modern commercial and financial bank makes a diminishing use of money, concerns itself much more with the administration of credit than of capital, and determines with increasing freedom the direction of enterprise.

As for the use of money the fact is, as Lord Farrer says in his "Studies of Currency": "We are returning to a state of barter in which money is merely the measure and language, not the actual medium, of exchange, and in which personal rights and duties take the place of cash."

As for capital, i.e., tools and other materials usable in the productive process—we have observed that the great municipal and state banks, from the twelfth century onward, have been founded not upon capital but upon public debts. From the rise of banks of issue in the middle of the seventeenth century, the banking systems of the world have exercised a delegated power of political sovereignty, in that they have issued what passes for money, and thus have levied forced loans upon the general wealth. In England, the right to levy these loans was recognized in the case of certain banks as private property and a vested interest by the Bank Act of 1844.

From the second quarter of the nineteenth century there has been developed a discount currency which, to a far greater extent than bank-notes, puts the control of social wealth into the hands of the banks.

The bulk of modern banking power has developed since 1876. In that year, the

combined credits of London, Paris, Berlin and New York, were less than a billion dollars. In 1890 the banks of the United States alone had outstanding credits of about five billion dollars, which increased in a dozen years from that time to nearly fourteen billions.

Now these rapidly swelling bank credits do not in the main represent tangible capital or saved money. They are largely predicated upon public debts, land mortgages and corporate securities. Loans on negotiable securities grew five-fold in this country during the final quarter of the last century. And during a single year—from September 9, 1903, to September 6, 1904—loans of this character by the national banks of New York City, increased from 391 millions to 538 millions. Even if such corporate securities represented tangible capital actually in use, it should be obvious that *loans* made on the securities do not duplicate that capital.

The fact is that such securities represent

a more or less risky estimate of the power of corporations to yield incomes, and the loans based on the securities represent an estimate still more venturesome, of the possible incomes that may be derived from productive powers that are, as yet, largely latent in the bodies and souls of men.

The modern credit system is not so much an economy of physical capital as a somewhat orderly and methodical speculation as to the possible yield of productive powers.

The system is not to be faulted for its forward look, its outreach to the future. Human life is often at its best when it is most venturesome. The fundamental criticism of the system turns upon the fact that it piles up charges against the working apparatus of society—without concerning itself to maintain or improve the efficiency of the plant. It takes little account of the relation of man to nature. It takes little account, therefore, of real capital, for real capital is simply that part of nature that has

been affected by art in such manner as to further the creative process.

The bank commands the future by treating the ability to do a thing as if it were a thing done; and this way of dealing is made possible by social organization—by that correlation of productive powers that is the artistic and scientific heritage of the community. The control of this correlation is falling into the hands of the banker. It seems inevitable that this should be so. There should be no question of depriving the credit-centres of the power to bring together the artists, chemists and engineers, and to influence the general direction of their endeavors. The question is, How and under what sanctions of social accountability shall this sovereignty be exercised?

The orthodox writers on banking would have us think that the best banking-system is that which is least affected by politics. Politics is an ambiguous word; and with reference to some of its meanings, the ortho-

dox writers speak truly. But what shall one say of their notion that a mechanism which is confessedly vital to the community—and the derangement of which, as they warn us, may utterly ruin society—should be submitted to the control of men who, for the most part, do not think of themselves as other than the protectors of group-interests and the curators of personal fortunes? Is it not an anomaly that a central social function should be administered for private profit?

The discount-rate is an underwriting charge;—an insurance premium. If banking were conducted in the public interest, the credit-centres of rival communities would compete sharply with one another to minimize this charge.

To that end they would withhold credit from persons skilful only in the acquisition of money and titles, and would extend it to masters of materials and organizers of creative enterprise. *They would strive to*



*make the volume of real values as great as possible, and the volume of charges and claims upon those values as small as possible.* The administrators of such credit-centres would desire that the claims of men who live by just owning things should rest as lightly as possible upon the tools and materials of the men who live by creating things—in order that the creative process might not be unnecessarily impeded, and in order that the general standard of living and the purchasing-power of a day's work might be raised to a maximum. With competition of this kind established between rival credit-centres, the repulsive and disheartening phenomena of "the social problem" would disappear.

The academic writers on finance insist, with an obscurantism like that of some ancient ecclesiarchs, that there is no anomaly in the abandonment of the material salvation of modern communities to the adepts of their peculiar sect. They see nothing

abnormal in discount arrangements that make the raising of the rate a means of putting a dead-stop to business, whenever business shows a disposition to take its money out of the bank.

They see no reason why bankers should trouble themselves about the mobilizing of productive forces or any of the gross material aspects of social economy. They seem to conceive the mission of the banks to be purely ideal and spiritual, dealing not with carnal substances but with symbols and effluences—and if the substances do not correspond with the symbols, it is arranged that the substances shall make amends.

The point here contended for is that the modern credit-centre is, in its nature, a thing of governmental character and that the public disorders of our times are largely due to the fact that a vital governmental function is being performed without social motive or responsibility. When the sophistications are cleared away it will be seen by

everybody that the modern bank is necessarily political, that it is an organ of social control as definitely as is the police force. It will be seen that there can be no continuing competition among the banks of a particular locality, *that the credit-power tends irresistibly to nucleate at one point and to diffuse its influence throughout the whole community.*

The business of the bank is—or ought to be—the fixing of the rating of every individual with reference to his social services or his legitimate claims upon the community. The bank intervenes between the parties to most private transactions. It offers to give a claim against the public in exchange for any valid claim against a private person. It buys certificates of private obligation and sells certificates of public obligation.

The bank as universal market-man and broker of commercial goods is preparing the way for an elimination of our malignant and wasteful commercial competition, in order

that *industrial* competition—rivalry in the advancement of the productive arts—may become intense. Through the discounting of commercial bills the bank now makes the public buy the goods from the seller and sell them to the buyer.

The public lays enormous riches in the lap of the bank—loans that are never paid back. Since it is not thinkable that the public intends to endow a privileged class, these loans without time limit, i.e., the difference between the capital of a bank and the minimum of its outstanding obligations—must be regarded as a donation in trust, to be administered for the benefit of the whole people.

If the commercial bank were obliged periodically—say annually—to redeem all its bank-notes and other borrowings from the community, its monopoly of credit would amount only to a public grant of interest on these borrowings; and that advantage would be offset, in part at least, by the serv-

ice of the bank as a public agent. But since a prosperous bank *never settles with the public*, it is impossible to regard the general minimum amount of its outstanding borrowings from the public, otherwise than as a public grant of that much money. And this grant must be thought of as a trusteeship, not merely because of the face-value of the donation, but more especially because the grant—like a grant of police-power—acts as a leverage upon the whole social fortune. Money breeds money, and these huge donations to the banking-class confer upon them a mastership over the whole field of economics.

We must not suppose that improvements in bank-machinery and book-keeping or any public surveillance over these matters can have any considerable effect in the way of shifting the centre of gravity of our banking-system from the holders of securities to the creators of the values upon which securities depend.

Such a transplacement of the credit-centre must be negotiated somehow—either with frank good-will and intelligence or through the compulsion that history lays upon every institution that is absurd. It is absurd and socially suicidal that a continental democratic society shall resign itself to be administered solely for the benefit of its creditors.

The new Federal Reserve system supplies perfectly fit machinery for the working of credit-centres devoted not to business-*milking* (if the word may be tolerated) but to business-*making*—to a dead set to produce values and make the wheels go 'round. But this excellent system can be used with equal facility for an opposite purpose. It should be borne in mind that the volume of public donations or unliquidatable bank-borrowings from the community, increases with every improvement in bank-machinery that widens the distance between necessary reserves and the average low-level of outstanding obligations. The safer the system,

the greater the volume of never-paid bank-borrowing from the public.

If a bank system polarizes elsewhere than in the public interest, the solidier it is, the more crushing is the monopoly. It is therefore theoretically possible to turn the new Federal Reserve system into a gigantic engine of social subjugation.

All the signs of these times go to show that the chief issue of the ages—the controversy between the two kinds of credit-administration—cannot hang fire much longer.

The rise of the modern business-system precipitated the issue in Europe. If the banks of Western Europe had shown more of a talent for developing the human and material resources of their own countries and other lands, and less of a talent for piling bonds and mortgages upon a shrinking base of values, they could have established a community of interest across frontiers—and there would have been no war.

The war has come. Great Britain and

France have been compelled to set aside their systems of banking-for-securities-only, and to institute new systems in which the government and the credit-centre coincide. They are trying to do their banking now somewhat on the German model—not to swell the volume of securities, but of goods.

The rise of the modern business system is an importunate fact. It will not be denied. It puts an end to many consecrated fictions and absurdities—not sparing the orthodox theory of banking. It forces the slow-moving hand of history and drives the nations to a swift choice. They may organize their modern arts and engines spontaneously, in peace and on a democratic basis. Or they must do it by force, in war, and under the eyes of emperors and dictators.



## VIII

### UNFITNESS OF THE BUSINESS SYSTEM FOR PERMANENT MONOPOLY

**P**ROFESSOR SCOTT NEARING, of the University of Pennsylvania, in his book on "Income," says: "A student of current American economic facts is forced to the conclusion that there is only one economic contrast that can be made clear-cut and definite—the contrast between service income and property income; between income secured as the return for effort and income secured in return for property ownership. . . . The line of future conflict is the line that separates these two ideas. . . . Certainly the crisis in this conflict has not yet come. Nevertheless, one who has watched the developments of the last few years . . . cannot help feeling that

the United States is moving toward the crisis with breathless speed."

He says, as do all other competent observers and statisticians, that the tax that the owners of property are levying upon the producers of goods, is steadily increasing, both actually and proportionally; and declares that "the student will search in vain through history for a situation more fraught with destructive possibilities. The recipients of property income and of service income face each other and prepare for the conflict."

Mr. Nearing's book develops with force and light, the elements of the social contradiction that is spreading confusion through the world. But he does not undertake to answer his own riddle. He does not point out the fact that the impending social deadlock and destruction can be averted by a transfer of the credit-centre from the ownership of property to the production of goods. Yet the idea that social credits ought to be administered with primary consideration for

the fostering of enterprise, and with a merely secondary consideration for the proprietary claims that have fastened upon enterprises—is elementary in economics; though it is nowhere clearly stated in the classic books of political economy. It should be remembered that there are many truths so simple that they escape the attention of erudite men.

The bottom reason why credit should not be administered from the standpoint of security-holders, is that it *cannot be* for long. If the attempt is made—as indeed it has been made, quite universally—the economic system is thrown into periodical convulsions, tending toward a progressive necrosis of the social tissues and an ultimate paralysis that can be staved off only by war. By means of war, and the accompanying phenomena of political absolutism, the credit-centre is shifted to the power that commands the fighting forces, and is then administered with main consideration for the productive—or destructive—process.

The financiers who suppose they can go on indefinitely nursing the claims of the mortgagees of industry, but not nursing industry itself, do not understand their trade. It has limitations in nature. One should not cross a bridge with a heavier train than its girders will stand; and one should not lay upon the shoulders of labor and enterprise greater burdens than human nature can bear. People who manage banks and high financial undertakings without concerning themselves about the physical conditions of existence, do not manage them well.

Much of the present strength of Germany is due to the fact that there had grown up there, before the war, a system of commercial banks that really took an interest in the extension of enterprises and the advancement of practical arts. A beginning had been made toward the administration of credits for the upbuilding of a commonwealth. In England, France and the United States, the promotion and under-

writing of enterprises was carried on by the banks with an eye that was rarely deflected from the standpoint of the security-holder; but the *Deutsche Bank*, the *Dresdener Bank* and the *Disconto Gesellschaft* were somewhat capable of the social-economic point of view. They had some perception of the truth that no business venture can be made to pay *by itself*; that the validity of all securities depends upon the creative power of the whole volume of business; and that the industrial powers can be brought to a standstill and the stock and bond structure reduced to scraps of paper—just by taking each concern separately, and laying upon it the heaviest possible tax of unearned income.

The broadest reason why Germany is stronger than Great Britain and France combined, is that she long ago recognized the fact that the credit power is public and political—and they did not.

It does not follow that the United States, or any other democratic country, should imi-

tate the German banking system. The point is, that the administration of credit is half of modern government (taken in connection with the news service, it is a good deal more than half) and any government must necessarily be weak that allows half its powers to be exercised in derogation of the other half.

In a feudal state like the German Empire the integration of governmental powers must be effected on feudalistic principles. In a democratic state like ours, the thing should be done on democratic principles.

If the ultimate police power in the United States is lodged in local political primaries, then those primaries ought also to be credit-centres, or at least, should have very definite correlation with the local credit-centres. For if the local credit-centres are worked for private profit and without regard to the general public aim, it is impossible that the productive process should not be weak.

The immemorial obstacle to a sound social organization of the productive process,

is that absolutism of the common mind which supports the transcendental political sovereignty and the unqualified right of property, in preference to all practical considerations. One might almost say that the obstacle is just the thing that Mr. Nearing mistakenly looks to for the removing of obstacles. He says: "If there is one deep-rooted conviction in the human breast it is that each person has a right to what he earns."

Now it is profoundly true that social equilibrium requires that every man's legal power over materials should substantially coincide with his productive power; but the sharp note of severing individualism in Mr. Nearing's dictum is not modern and not practical. This stubborn conviction of the absoluteness of property rights is by no means the deepest-rooted conviction "in the human breast," but it is deep enough to make a world of trouble. For given an unorganized, or weakly organized multitude, bent each on getting exactly what he earns—

and the road is paved smooth for privilege. The strength of privilege is that false and illusory idea of exact distributive justice which is the heart of platonic politics and the spine of the sovereign state.

Men can combine firmly for piracy, or for the generous aims of the venturesome and creative spirit. *But it is impossible to combine for exact justice.* The idea of exact justice is divisive. It furnishes no margin of mutuality to bind men together.

Therefore the state dedicated to exact distributive justice is an illusion of the multitude and a sham. In practical fact, it is always ruled by the strongest combination—whether for loot or for social service—that happens to be extant within its jurisdiction.

The privileged and ruling class is usually actuated by a fusion of predaceousness and devotion. When the former motive predominates in an extreme degree, the régime destroys itself and disintegrates.



Mr. Nearing does not perceive the cheerful truth that the modern business system—the régime of capital, credit, contract and corporate organization—is peculiarly unfit for the uses of secure and permanent exploitation. He says that by the development of easily transferable titles to income-yielding property,—stocks and bonds—“the western world has produced the most effective means ever devised for enabling one group in the community to live upon the work done by the others.” He fails to remark that this fact of the subtilizing and mobilizing of property, weakens its absoluteness and makes it relative and merely contractual—an investiture that is almost as easily stripped off as put on.

He fails also to notice that gross monopoly gets its lodgment in the modern business system not because of anything that is inherent in that system, but because of the corruption of the system through its ill-starred relationship to an obsolete kind of

political state. And, finally, Mr. Nearing fails to observe that privilege is absolutely alien and unconstitutional to a system whose vitality and normal operation depends upon the genuineness of credits and the purging of contracts from fraud and duress—so that the system necessarily dead-locks and destroys itself if it becomes organically and chronically predaceous and unproductive.

The fact is, therefore, that the easy parasitism to which the modern business lends itself, is illusory and short-lived. So far is it from being true that the western world has produced a system peculiarly favorable to privilege, that the very opposite is the case. Never, since the world began, has a privileged class committed its unworthy fortunes to so unsuitable an instrumentality for the establishment of a non-productive caste. For many ages, privilege has found consecration and a secure lodgment under one, or another, form of static law—the rigid peace of the Roman pandects, the multiplied shapes of dynastic prerogative,

the constitutions of classic republicanism or the cold, pedantic literalism of China.

But privilege can have no peace and no continuing dwelling-place within the jurisdiction of the modern business system, because the inner law of that system, the law by which it lives or dies, is not arbitrary but intrinsic, not static but dynamic. It is indeed the only historic form of grand-scale social organization that is not like a machine but like a living organism—that must function harmoniously, or fall into fevers and convulsions, a body that is poisoned and paralyzed by unexcretable monopoly.

Or say if you will, that the modern organization of industry and commerce is not a thing of nature but a stupendous work of art. It lives, not by subjection to nature, but by the conquest of nature—a triumph that can never rest, but must go on, or perish.

No man as a mere creature and subject of law, can understand it or enter into its

spirit. It belongs to man as creator—imposing upon the material universe the laws of his own humanity. And this adventure is so great and perilous that it cannot possibly be carried on without the maintenance of a general understanding and community of interest among all, or most, of those engaged in it.

The heart of the matter is not property or ownership but the correlation and direction of creative powers—through credit-centres, at which men assemble, not their assurances but their adventures, not their timidities but their affirmative and creative faiths.

The system of industry and commerce is poisoned and paralyzed and has fallen into fevers and convulsions of war—because the credit-centres have been inverted and have worked a kind of suicide of business—subjecting the masters of arts and enterprise to the holders of securities.

This inverted capitalism has ransacked

the corners of the earth to find the places where life is cheapest. In the countries of high political traditions—England, France, the United States—the democracies have stormed the polls and the parliaments, to get laws passed for justice and the raising of the standard of living; but the practical effect of these endeavors to make men dear, has been the export of capital to the communities and countries where men were cheap.

The moral is that it is entirely futile to try to make human life dear by legislation—so long as the credit-centres are controlled in the exclusive interest of a creditor class. We must accept the axiom that the credit-centres should be operated with primary consideration for the producers. It is absolutely necessary that people should get credit for *doing* things; it is only contingently necessary that they should get credit for *owning* things. The way to make securities secure is to first see to it that wealth shall be produced.

Now there is only one way to make sure that wealth shall be produced; the producers must take the matter in hand. And the way for them to take it in hand is obvious; they must take possession of the credit-centres—or *make new ones on their own account*.

The solution of the social problem is astonishingly simple. It may require mental and moral qualities that we do not yet possess—a certain carelessness about getting paid exactly what we earn, a willingness to take much more or much less than that, a free commitment to the exhilaration of the creative process, emancipation from the cant of self-sacrifice and public-spiritedness, a real emotional interest in concrete results.

The serious obstacles to the solution of the social problem are all merely spiritual, psychological. There is no reason in the world, except our infirmities of will and intellect, why the control of the production of wealth in the United States should not be transferred within a single year from the

agents of those who own things to the agents of those who do things.

Never since the beginning of the world has the control of wealth been so easily transferable as it is now. Wealth has ceased to be solid and has become liquid. It runs and flows. It courses through the deepest channels that are to be found. And, if a commonwealth would empty the shallow streams and stagnant pools of monopoly, it has only to canalize in accordance with gravitational law.

To speak without a metaphor, the simple truth is, that banks or credit-centres, formed expressly to foster production, would be stronger and more secure than are the banks that are formed mainly to promote the interests of security-holders; and wherever credit-centres of the two kinds shall stand side by side, predominant economic power will pass to the former kind. This would be the case even if the initial capitalization of the latter were much higher than that of

the former. For the kind of banking that is always thinking of securities and never of the production of the values upon which securities rest, is always running toward bankruptcy.

This unpractical tendency of orthodox banking-systems is illustrated by the periodical crises with which we are familiar. But it is to be remarked that the bankruptcy need not, and generally does not, fall upon the banks. It falls upon the bravest adventurers of business. It commonly crumples up the firing line of enterprise and leaves the gentlemen of the general staff quite secure at headquarters.

The periodical crises grow continually more violent and devastating from decade to decade. They are paralytic strokes weakening the vitals of economic society—by transferring an ever larger measure of power from the producers to the security-holders. The crises are directly due to the fact that the credit-function is worked, not in



the interest of those who serve the commonwealth, with head and hand, but rather in the interest of those whose only striving is for the increase of their mortgage claims against the working organization.

To understand this inversion of the business system, this fundamental unsoundness and absurdity of the central administration of economic affairs, is to be delivered from shallowness and triviality in the discussion of social problems. One comes indeed to see that all social problems are reducible to this one problem, that their unnumbered woes are emanations from a primal and central barbarism.

Civilizations rise and fall, not because it is natural and inevitable that history should move in a rhythm of alternate hope and disappointment—but simply because there never yet has risen a civil order that has been soundly civil at the heart.

It is barbarism—crass, stupid, Boeotian—that has established sovereignties on any—

thing and everything save the one thing that is fit to sustain an unquestionable right and power, to wit, the company and concord of those who know their way about in the real world—the masters of the earth and the sea and the actual builders of cities. The world has, in general, been badly ruled because of the primal faithlessness—the original and hereditary sin of the race—that has disposed the mass of mankind, in all lands and all ages, to invest their idealism and devotion in anything and everything but the day's work.

Hence has come the enormous psychological difficulty of getting people to come together on a basis of real power—the direct control of natural forces; and the fatal facility of the agglutination of masses on a basis of fine words and flattering promises.

It is a thing of heart-breaking pathos—the ever-renewed illusion that summons the youth and beauty and energy of mankind to spend themselves in defence of abstract principles of humanity.

This summons is ever on the lips of sincere political guides and spiritual pastors who do not understand the gospel of the incarnation, and so are continually deluded with the ancient platonic imagination that ideas are objective realities.

There is no abstract principle of humanity that has not been won—and lost—a thousand times. Again and again, times beyond counting, masses of valorous men have been flung bloodily against each other, for the establishment of the principle of personal liberty or of socialization, respect for contracts or immunity of the weak from violence,—yet none of these principles are established.

There is no way of establishing the principles of humanity except by incarnating them in the living tissues of a society that has made the humanities constitutional. And the way to do that is to shift the administration of social credits to the hands of creative men.

This is the meaning of Jesus and of all authentic experts and specialists in knowledge of the nature of men. The timeless Man of Nazareth—prime instigator of the modern spirit and projector of a social order that should be civil at the heart—did not sacrifice his body to his principles, but to his project. He was bent upon the inauguration of a society in which the credits should be administered, not by the creatures of social fortune, but by the creators thereof.

The current tradition of Christianity is exactly preposterous. The inversion of the terms of the great project was the natural consequence of its miscarriage. The inception of the project was challenged by social states that called the creatures of fortune, practical men—and called the creators, dreamers. Some centuries later, the project grappled with the old states in the most momentous of all historic conflicts. A psychologist, looking out upon that mediæval struggle between the Church and the Em-

pire, could have foretold with surety that one of two things would happen: either the new social order of the creative credit-masters would definitely prevail and thus deliver the race from the rule of political and religious ideologues—or else these would return in full feather and would succeed, not only in balking the bodily force of the great adventure, but also in transmuting its brave, pragmatic doctrine into an ascetic dream.

The platonic idealism of the modern sectarian religious societies that have possessed themselves of the vocabulary of the Church and of Christianity, is substantially the thing that Christianity was commissioned to put an end to. For in the classic Mediterranean world, as in Europe and the United States to-day, transcendentalism was the ally of legal privilege. A puristic religion consecrated incompetents, set the makers of phrases in authority over the masters of materials and put the credit of society at the disposal of those who received most and served least.

Now the true doctrine of social regeneration is a commonplace, a platitude, "a divine banalité." It is incredibly simple. It is difficult to believe, and always has been difficult, because it puts no strain at all on credulity—in a world that prefers to yield itself to phantasy and phrases.

The proposal is that the social sovereignty shall lodge with the strong, not with the weak; with those who have original and personal power over the materials of nature, not with those to whom power is imputed by a legal fiction. The proposal is that authority shall rest with men of creative, organizing intellect, not with rhetoricians, critics and dialecticians; with men of spirit who are self-compelled to support more than the weight of their own bodies, not with those who are willing to be supported; with the proud, not the vain; the faithful, not the credulous; with those who are sensitive and severe, not those who are sentimental and cruel.

But why multiply antitheses? All has been said when it has been said that a sane

and continuously workable social order is one that rests frankly upon what is great in human nature—abandoning the enfeebling and utopian effort to set up a super-human government.

This is what is meant—when anything is meant—by the sovereignty of the people. That idea is bedded deep in the history and politics of the United States. The fathers of the Constitution, planning in accordance with the teaching of Montesquieu and other European philosophers of democracy, took pains to split our political officialdom into three equal and jealous parts—in order that there might be no supreme power, no sovereignty outside the body of the people. It was by an apostasy from this purpose that the courts of the country became nearly absolute in peace, and the executives nearly absolute for martial law and war. But the purpose has not yet lost its historical momentum. It is possible to recover the sovereignty of the people.

Wherever there is a government that stands apart from the people, there the social credits are administered by mortgagees of the public estate and not by the creators of values. On the other hand, to make the sovereignty of the people a living principle is the same thing as to put credit-administration into the hands of producers. *Thus the rectification of the business system is the recovery of democracy.*

From the point of view of democratic politics the practical effect of the rise of the business system is to so fluidize social conditions throughout the whole circle of commerce that the issue between the sovereignty of the people and the sovereignty of governments is made sharp and precipitate. *The rise of the business system has made half-hearted democracy impossible.*

The only possibilities now in sight are, on one hand, the military and absolutist state, and, on the other hand, authentic and thoroughgoing democracy. If we cannot



now produce a genuine democratic and pragmatic politics in which the apparatus of wealth production shall be controlled by the makers of the social fortune, we shall drift rapidly toward universal militarism and an age of more or less intermittent war.

The business system, democratized and made self-consistent through the shifting of political administration to the hands of producers, would probably effect such a mobilization of creative forces as has never been known or clearly imagined, would put an end to the long ages of alternate freedom and bondage, glory and decay, and would commit the world to a career of uninterrupted improvement.

If, however, we do not succeed in democratizing the business system, the war that has begun in Europe, Asia and Africa will—most likely—in spite of occasional truces, involve the whole world; and we shall enter into a dark age of which no man can see the end.

## IX

### RESURGENCE OF WOMAN

THE news is that men are not going to act like women any more nor women like men—that men are going to be male and women female and they are going to “dress and keep the Garden” together, with good faith and gaiety of heart.

It appears that Adam was effeminated by his refusal of the hazards of nature, his insistence upon a cock-sure rule to keep him from going wrong. He would sit down under the Tree and ruminate about law and order and the rights of man. He insisted upon having a Constitution, before going to work. His Business was to be subjected to a transcendental Politics.

This wise old Syrian story is a parable of the distracted social history of the world.

The original sin was a cleaving solecism, a shattering absurdity. This futility of the typical man—his refusal to live until after he had thought out a way to right living—is the spring of unnumbered woes, the source of the “social problem.”

The story was invented in a cultivated age, and its meaning applies particularly to conditions of high socialization, rather than to the more primitive propensities of mankind. In primitive societies—so far as they are free from abnormal retroversion and decadence—the men do not act as Adam did. They use their intellect to sail boats and kill bears.

In primitive societies of natural poetry and grace, the man is a brave monad meditating lonely adventures; the woman is the guardian of the hearth, the economist and assessor of values, the superintendent of social relations. The man kills the wild beast and the woman cooks it. Both these gestures are primordial and of imperishable significance. They go to the roots of sex.

The man is *entrepreneur*, engineer, sea-rover, lone ponderer of uncredited projects—capable of holding in his heart, for half a life, purposes that no other man can understand, bound by very force of his maleness to do what has never been done, to press outward at some point the frontier of human experience—therefore compelled always to tread the edge of unsociability, mocking and mocked at, holding the love of comrades only by a sort of tender scorn and defiance.

The adorable and eternal woman is complementary to all this. She is to the man what Isabella was to Columbus. She is civilization, the summator and conservator of all fine stuffs, fine arts and fine thoughts. Her words and looks are the tissue of society. She is incapable of thoughts that have not to do with persons, of projects that are not social enterprises or intrigues. It would be mortal for her to stand alone with an idea against the common scorn, or to go out alone with tools or weapons against the

unhuman dark or wild. For she is the Community. In her all the strands of co-ordination meet, she is the centre of credit and fortune. She evaluates all things and gives every man his rating.

It was not necessary that Isabella should know the facts or understand the argument for the untracked way around the world. It was merely necessary that she should know *a man*.

It is not in men to know a man. The courtiers and the old-line commercial persons could not read the intangible credentials of Columbus. They stuck fast in that male blockheadism of the accomplished fact, which insulates every genetic man from all his fellows and makes it impossible that his power should be acclaimed in male circles until after it is mostly spent and past. But the case was altogether different with Isabella—is different with all wise deep-hearted women. They do not care for power that is spent and past. They love power that is latent, contained and baffled—for such pow-

er is the living maleness of a man. The source of it is as deep as sex—and sex responds to it. Therefore there can be no real progress in a society where Isabella is uncrowned.

In the most poignant passage of history the doctors, lawyers, judges and governors, the scribes, pharisees and the whole male populace fell upon the Master of the Undiscovered World, with words, arguments, statutes, statistics and crucifying scorn, because the only power that could discern and accredit the unaccomplished strength had been dislodged, because the social centre had been usurped by effeminated males—*“and the women stood afar off!”*

The place of women is at the centre of society; the place of men is at the periphery and the frontier. The effectual and original contribution that each man can make to civilization cannot pass directly from point to point on the circumference, but should first pass inward along his own proper

radial connection with the feminine focus—where the accounts should be kept and the masters of arts and creators of full values should be separated from the short-weights and charlatans.

In all the great and storied passages of history, when for a moment some Jupiter has found his Juno, some Ulysses his Penelope, society exhibits an aspect that is normal and beautiful, expressing the poetry and success of natural sex relations. But for the most part the history of high civilization has reflected the dull prosiness and ineptitude of the Adamic tale. History is an Iliad of woes, crimes and carnage of which the ever-recurring motive is the rape of Helen—the displacement of a woman from the heart of her realm.

It is not in the simpler forms of society but in the more complex forms that the mental toploftiness and unmanliness of Adam is reflected—because the temptation that besets a man to unman himself as

Adam did, becomes more seductive as society grows more complex. To be sure the temptation to escape from the risks of the flowing world to the shelter of a no-man's land of perfect ideas, is intrinsic to the nature of a human being—a being gifted with the sublime and terrible power of abstract thought and the thaumaturgic faculty of *words*. To withdraw one's interest from the mysterious and uncompassable reality of a farm—with its risk and flux of ceaseless nature, its unpredictable fatalities—and to lucubrate toward high heaven in search of the perfect formulas of farming—this is a temptation to which plough-boys are exposed. And a similar lure is present to anchorites. But this primordial human passion to make use of words in order to escape from the pressure of things, is not strong enough to permanently shut out the unfortunate and sanifying realities of the world—for people who live simple lives in loneliness or in small and unsophisticated communities.

It is with the rise of cities and the de-



velopment of complex social conditions that "the original sin" becomes frightful in its effects. For under such circumstances men of exceptional word-power find it easy to live delicately and to absorb all the high honors and emoluments. They have only to be sincere in their conviction of their own "knowledge of good and evil"—for no hypocrisy can be strong until it has become unconscious (until the very virtue in a man has become foolishness and his light darkness) and then they can impose upon the minds of ordinary men any legal code that is logical and self-consistent, however irrelevant to the natural conditions of existence and devoid of that flexibility that is necessary to progress in the practical arts. So subtle and strong is the temptation laid upon men of exceptional powers of abstraction, so alluring are the social rewards held out to them, so crushing are the penalties imposed upon those who resist the lure, that one has only to understand the nature of this temptation in order to be delivered from

all wonder at the crucifixion of the great realists and the recurrent collapse and failure of civilization.

The enormous hurt and pain of the world in these times is chiefly due to an overstraining—to the breaking point—of the contradiction between the rigid and static law of the old politics and the adaptive and dynamic law of the working world. The woman's movement would be wholly abortive, and would only add to the hurt and pain, if women were now to rush out of their houses and into the forum, to mimic the condemned and obsolescent politics of the men.

The radical vice of the old politics is its rapt idealism and round-aboutness. A new realism has we trust now dawned in Washington. But in the country at large the voters are still supposed to come together once in a while in a noble mental detachment from their day's work and from all the things they personally care about.

With eyes fixed on a fine phantasm called "the general good" they cast their ballots into the urn for persons suggested to them as likely to be still more detached than they—the doubly detached servants of the detached. By this means it is hoped to generate in a very high place a law of great purity that can filter down into all the low places—a law entirely oblivious of carnal business interests and the coarse need of board and clothes, and therefore grandly Sinaitic and sublime and worth dying for at the drop of the hat.

They who say that real women are defeminized when they take part in such a process, speak the sober truth. It is all very well to vote—if the thing can be done with moderation. For the fact is that the office of the voter is essentially a moderator's office—a means of putting a veto on official failure and disorder. It never can be much more, in a great country organized for work. For those who control the working organization will always project the po-

litical programmes and provide the candidates—whether secretly and irresponsibly as today, or openly and with frank responsibility. In a great industrial country the voter, just as a voter, can never have anything to say but Yes or No. *Henceforth it is only as participant in the artistic-scientific process,—the manipulation and disposal of materials—that one can exercise forth-putting political power.* Let it be repeated and emphasized again and again: the organization of modern industry and commerce has generated a political force so great that no other political force can cope with it, except by way of obstruction or inhibition. We should recognize this fact, and should accordingly make haste to socialize and democratize the working organization by which we all live.

Now it is profoundly feminine—beseeming the Isabellas and all the most womanly—to hate the labored mental indirection, the etiolated intellectualism of our traditionary

politics—with something of the aversion they feel for effeminate men. By means of this Adamic politics with its shrinking from the real contacts of nature, men have lost something of their manliness and become feminized. They have treated the primordial struggle for spiritual mastery of brute materials as if it were a matter of secondary importance, and have sat down with Penelope to knit and ravel the social web and weigh the fate of suitors. They have edged their way to the centre of society and have shirked the exposure of the frontier. *It is in the nature of a resurgent woman-kind to emphatically disapprove of a politics that has treated the thrilling adventures and arduous labors of great industry and commerce as if they had no ruling dignity or authenticity of law.*

Isabella understands that Columbus is more of a law-giver than the courtiers at her feet. And the true mission of the woman's movement is to rebuke the political eunuchry and intrigue of masculine

housekeepers, and to rouse the miners and sailors, the explorers, investigators and entrepreneurs to political honor and responsibility.

It is unpleasant but not surprising that in the first impulse of the modern revolt of womankind, there should be women that act like feminized men. For this topsy-turvydom of sex is the age-old pity and shame of the Great Inversion. If men will insist upon keeping house, they will do it so badly that women must perforce go out into the streets and shout for help.

The natural part of woman is to be the economist or maker of house-law. In the saner society for which we hope, this office will no doubt widen and socialize itself—into the general process of superintending the merchandising, correspondence and accountkeeping of communities, the regulation of all the relations of human beings with one another.

*Feminine business is the relating of man*

*to man. Masculine business is the relating of man to the universe.*

What a dreary platitude it is to say that woman has a place in politics! Politics is indeed the very nature of woman. And the whole recent discussion of the matter is the broadest advertisement of our mental and moral inversion.

But it should be plain why men of marked mental masculinity—like Woodrow Wilson, for example—are not much attracted by woman's suffrage propaganda in its most current form. It is indeed very possible that working women might be able, by the use of the ballot, to intimidate bosses and legislative steering-committees; and there is no reason why they should not have it for that use. But such devices are temporary; and the conditions on which they depend will soon pass to the better or the worse without much reference to woman's suffrage. Men of sense are not willing to limit the meaning of the woman's movement

to a doubtful promise of improvements that might be got by other means. Every honest man is affronted at the idea of a sex-war or the notion that women are just a social class, with class-claims to be represented and protected. Women have never been wronged by men any more than men have been wronged by women. The true point is that as things stand the sex relationship is abnormal, and throughout the world the most masculine men and the most feminine women should rise up and right it.

The direction of the woman's movement should be toward the centre of society. *It should undertake to establish an authentic and abiding social centre in every community—a centre of spiritual influence as effectual for practical social purposes as the parish-church was in the days when the Church was Mistress of practical arts.*

The woman's movement should develop the inner, but as yet hardly articulate, meaning of the American public school. For



several generations the American people have been whole-hearted to prodigality in the payment of only one kind of taxes; we have poured out our affluence upon the public school—nearly a million dollars a week in New York City alone.

Yet the public school as it stands is rather a prophecy than an accomplished fact. It does not yet mean what we intend it to mean—a union of the vital forces of a community in the spirit of creative art and science, to safeguard the social fortune and pass it on improved.

The women of many countries who met at The Hague under the presidency of Miss Jane Addams, to protest against the war—did a brave and beautiful thing. But brave women—"the women that do not weep"—should be, and doubtless will be the last to imagine that war can be put an end to by international conventions. Such women will escape, before most men do, from the delusion that wide-spreading and

long-lasting law and order can be established through an enthronement of "the Knowledge of Good and Evil"—in a High Court at Washington or at The Hague.

Women who have kept the peace of large modern families know that that kind of thing is done not by the submission of disputes to an unquestionable and irresistible tribunal, but by nursing a real and convincing community of interest.

Wise women, with their instinctive pragmatism, their deeply human and humorous distrust of stiff formulas, have no difficulty in understanding a certain sociological truth that has escaped the notice of most of the doctors of philosophy and divinity: namely, that *the most perfect legal code, if rigidly applied, will infallibly split any human society into two parts—one above the law and the other below it; that the former will be the more futile of the two, and will in time compel the latter to fight for its life and for the natural nourishment of the community.*

Women have a life-instinct that will keep them from supposing that the struggle for life can be stopped by formal law. Senator Lodge supposes so, but it is hardly believable that Jane Addams does.

To a real American woman it should be plain that the way to make peace on a grand scale is first to work out a vital community of interest on a small scale in an American town, and then to extend the living institution and principle of that concord to the state and nation—and to the whole world.

## X

### SPIRIT OF THE GREAT SHIPS

**A**RISTOTLE remarked that it is impossible for a man to really see anything, until after he has learned to see many things at one view. The two culminating disasters that go by the names *Titanic* and *Lusitania* are likely to be remembered until their meaning has become a commonplace, so that they have ceased to stand out, like alps of special horror, above the ordinary levels of experience. To see these events in their relations to the conditions of the times that produced them, is really to see them.

The *Titanic* disaster summed up and symbolized the futility of technical progress—after the primary control of the tools has been taken out of the hands of men like

Captain Smith who went down with the ship, and put into the hands of such men as Mr. Bruce Ismay, who did not.

The control of the titan tools of modern civilization has, as a matter of fact, passed over very largely into the hands of financial manipulators and promoters—who do not understand them, and are incompetent to manage them. The International Mercantile Marine is an example. That great corporation was born decrepit; it has recently gone into liquidation—dissolving in a waste of water as its creature the *Titanic* dissolved.

The meaning of the disaster of 1912 is that a universal business system, directed with a dwindling and at best merely incidental regard for the actual subduing of the earth and the seas, and heartily interested only in the financial aggrandizement of a few persons, or the profits of a relatively small money-investing class—is absolutely not practical on this kind of a planet.

When we turn to consider the other disaster we should perceive that it is no more an isolated fact than is the wreck of the *Titanic*. For a generation the world had been gradually losing practical economic power—power to make human beings at home in the material world. The general earth-grip was relaxing, because the emotional energy of mankind was, year by year, being more and more diverted from the actual earth-struggle and turned into ways of dead waste and loss. Everywhere nation against nation and class against class, the human forces that should have been invested in works of creative art and engineering, were turned against themselves and cancelled out.

This process was not merely enfeebling, it was indescribably cruel. The natural sympathies of human beings—that, with a fair chance, can so easily bridge all distances of race and condition—were to a large extent blunted or annulled. The misery of vast masses—such, for example, as was repre-

sented in the City of New York in the winter of 1914-1915 by the industrial dislocation of four hundred thousand wage-earners—became merely a matter of professional charity and ceased to be disturbing to the comfortable classes. As the actual social arrangements deteriorated in human value, they became more sacrosanct and not-to-be-spoken-against. There were signs everywhere of a kind of mental and moral sclerosis, a stiffening and hardening of the mind, so that public opinion became standardized and was incapable of any reaction upon events except *en masse* and in accordance with well-grooved categories of prejudice. The literature of compassion became unfashionable. The passionate protest against social injustice that had marked the last quarter of the nineteenth century had for the most part cooled down to mere criticism.

The War of 1914 broke upon an age that was morally insensitive to an extraordinary

degree, an age as little capable of natural and unconventional revolt against cruelty and outrage, as any age since Charlemagne. Thus the war developed on all hands a pitch of mental and physical ferocity that is nearly unparalleled.

Sensitive feeling is not possible to a generation whose fortunèd class has accustomed itself to live delicately in the midst of the deep distress of its intellectual and political equals. For it is more hardening to the heart to allow people to suffer and die by mere neglect or for lack of legal rights, than it is to contend with them for mastery and reduce them to subjection. The losers are infinitely less disheartened and humiliated in the latter case.

It seems to be a part of the economy of the universe that a highly conventionalized and unvital morality can cure itself and regain intelligence and feeling only by passing through various descending stages of cruelty until it strikes the bottom of the pit, and ex-



plodes. The explosion is a sudden release and expansion of the benignant primal instincts of the race, in the presence of some atrocity so gross that only the last refinement of deliberate legalism could have produced it.

It is in this manner that the incredible outrage of Calvary shattered the Roman Empire and projected into the world so profound a distrust of conventionalized conscience, so confident a reassurance of the validity of the heart, that the force of that impulse is not yet spent. The marvellous fabric of the Mediæval Church—exceedingly delicate and strong—was woven across the frontiers of many nations, in the strength of the recoil of simple human nature from the perfect logic—the abominably perfect logic—of the pharisees. It will be recalled that they shouted in the palace-yard of Pontius Pilate: “We have a law, and by our law he ought to die!” Their law was the law of a narrow and illiberal nationalism like that which at this moment actuates Ger-

many, England, France and, perhaps, the United States.

The war exposes the incompatibility of our inherited superstitions about the absolute sovereignty of governments and the absolute rights of property—with the demands of a practicable system of international industry and commerce.

None of the belligerent nations are fighting for a sound business system, and a world-wide mobilization of working forces. They are all fighting for legal archaisms and national rights.

In the name of these rights a great variety of mentally consecutive but morally preposterous deeds have been committed on all hands. On the 7th of May, 1915, the logic of the absolute right of national sovereignty and the absolute right of private property reached its climax. There was an explosion, so piercing and shattering that it might have cracked the compla-

cency of moralists, and broken the heart of the world.

From the point of view of unsophisticated humanity it is impossible to over-state the wrong of the attack on the *Lusitania*. Its cruelty is comparable with that of Ludlow in Colorado or the age-long industrial wrongs of England. Its ruthlessness is like that of "Hell-roaring Jake" Smith in the Philippines, or of General Kitchener in the Nile Country.

But the special significance of the awful event of May 7th lies in the fact that it *broke through the crust of legality*. Though it followed an inflexible logic with the fatality of a tragic play, it failed to stop at the outer limits of our capacity for sanctioning cruelty by law.

The English-speaking nations can endure without passionate protest the slow crushing of women and children by economic pres-

sure, or their wholesale elimination by violence in scores of military massacres from Drogheda to Caloocan and Samar. But we have always been scrupulous that such things shall be done within the limits of the laws of sovereignty and property.

This truth is not to be set down in satire. It is a truth that applies to many nations and to all centuries. It is the burden and agony of the world that the letter of the law has been murderous, because men have been dull and slow in finding a form of politics that does not sacrifice life to logic. Yet it is to be noted that nations are great and masterful in just the degree that they succeed in this quest. The greatest nation is the nation whose law keeps closest to the primal instincts of humanity and that is capable of defying logic and the constitution—to save life.

The outburst of anger at the violence done to the instincts of humanity on May 7th is good and recuperative for the world. But it would be more recuperative for us if we

could rage as hotly against some of the damnable things we do ourselves.

Now the nineteenth century offered, as has been said, a prospect toward the development of a kind of politics capable of keeping the law constantly within speaking-distance of the humanities. It was possible, beginning, say at about 1840, to evolve a self-consistent and self-governing system of industry and finance that would have been in effect an international political party, strong enough to establish a universal community of interest and to keep the world's peace. We did not in fact do anything of the sort. We refused to make frank political use of the fine and spiritual methods of social co-ordination offered by the invention of credit-capital, the joint-stock company and the instantaneous diffusion of news.

We allowed these modern high-tensioned agencies of socialization to drift into the hands of a class. We imagined that our old-

time, low-tensioned political arrangements could compel that class to be social.

The mistake was immense, and egregious. There is a possibility that the dominant class might, of their own motion, have developed a really workable international business system if they had been let alone. Certainly no powerful class has ever been socialized by compulsion. And certainly the modern business system is of so sensitive and organic a character that *it must either socialize itself or destroy itself; it never can be socialized from the outside.*

The business system has never had a normal day. From its birth its vitality has been low. But when the narrow prejudice and stupidity of the old nationalistic politics began to press hard upon its body in the early seventies, the business system began to spend its best strength in combating and conquering the public-power. In large part the business system ceased to be a

*working* organization and became a *fighting* organization.

It came to pass that every big business concern broke in two. There was the part that had all the practical knowledge, assembled all the skill and materials and did all the work; and there was the part that fought for the franchises and the markets. The latter part sucked the life out of the former and absorbed the large salaries and other incomes. The department that marshalled men and tools for the actual production of goods, and the subjection of natural forces and materials to human uses, was overruled by a department that was ignorant and incompetent in such matters, being fully absorbed in the strategy and tactics of a gruelling struggle of man against man and group against group to win sovereignty and taxing-power over the general apparatus of civilization.

Thus, when the repeated wireless warnings came, on that calm night in the North

Atlantic, Captain Smith was overruled by a bend of the eyebrows of Mr. Bruce Ismay. That was a ritual and pontifical transaction—symbolical of many things. The *Titanic* went upon the ice. And also there were staggering engines everywhere throughout the industrial world, and submergence of many lives—because commercial strategists had taken command of things they did not understand, and had turned the marvellous tools of a machine-age into weapons, to battle for the control of the bank and the bourse.

Out of that struggle of market-men and promoters has grown another struggle—not more devastating, but more bloody. Probably the physical violence of a war is somehow accurately proportioned to the moral virulence of the peace-conditions that preceded and produced it. Given then the ethical cross-purposes, the confounding immorality of a world-wide circle of commerce practically dominated by a financial power



that was not at peace with any people, or with itself, and that used governments as counters in a game without rules—it should not be hard to understand the extremity of violence that was reached on the 7th of May, 1915.

Those who suppose that Machiavelian financiers planned the course of this war for their own benefit, are misinformed. Nobody planned it. Alas! it is planless. It is driven forward by a blind primordial passion of race and nationality—because men have been thrown back upon the instinct of the blood-bond, to escape from the moral welter into which they have been plunged by the anarchy of industry and commerce. For the moment there is no law but the law of race—and the blind superstition of sovereignty. There is no law of nations—only a law of the frenzied and baffled nation. *And that is the fierce Old Testament Law.*

It is a round two thousand years behind the times.

Into the narrow angle of this atavistic hate sailed the *Lusitania*—carrying the insignia of modernity, herself the perfect and special type of the kind of a world we had meant to be, a world of sumptuous science and swift communications, of universal understanding and an ecumenic democracy of tools. The word *Lusitania* had become a sign-word for the thought of a successful order of industry and commerce. It meant that in all languages.

So when this ship was stung to death by the old race-hate, it was as if our modern world had made an unwilling and costly oblation that marked and passed the limit of our obedience to the old Hebraic race-god, the God of blood and iron.

*In our indignation and recoil from that sacrifice there is hope that we may recover the meaning of the modern spirit, the Spirit of the Great Ships.*

## XI

### SUMMARY

**W**E are living in an epoch—like that of the sixteenth century Reformation—in which all things flow. The interests of religion, of culture, of politics, of business, are once more fused into a simple and all-containing human interest, as is the case in all transforming epochs.

In laying emphasis herein upon the organization of industry and commerce, attention is called to the fact that business has ceased to be just business. It has absorbed the connotations of religion, culture and politics—just as in the sixteenth century the problem that was called religious became the preoccupation of the schools, the forum and the market-place.

The difference of emotional interest in the two periods is mainly a matter of lan-

guage. In every age of grand-scale readjustment mankind pulls itself together, confounds the specialists, and tears out the partitions of life. It is perceived at such times that faith, and fine art, and civil order, and physical well-being are really inseparable—that all these interests decline and decay for no other cause but the stubborn, primordial fanaticism of priests, scholars, politicians and commercialists—who severally will have it that their specialty is the top or bottom of human existence.

Religion is a disease when it is tasteless, lawless and careless of food and raiment. Refinement becomes insensibility when it is without faith and when it refuses to concern itself with the ordering of cities and with the earth-struggle. Even so, nothing is so impolitic as pure politics, or so uneconomical as mere business.

Thus it comes to pass that there is a chance of great refreshment in earthquake-times like these, when the card-castles of all the social professionals are shaken

down, and books can be written that cannot be properly catalogued in any library.

With the understanding therefore that business involves for this age all that the-ology involved for the reformers, scholars, state-builders and guild-masters of the sixteenth century—the general argument of this book may be resumed in the following propositions, to wit:

That the rise of the modern business system, when looked at in the light of the unexampled events that have happened since the 1st of August, 1914, appears as the central and all-correlating fact of modern history.

That this system, in its normal operation, is a political *novum organum*, the method of an inductive, pragmatic and mobile state—the real democracy of which all the so-called democracies, antique or extant, are only a faint foreshadowing.

That this new thing has actually imposed itself upon the modern world and is now

an unescapable reality—so that the rejection of its spirit, leaves its body working in a way that is monstrous—entailing domestic and international discord and a world-wide confusion, from which there is no escape save through the final acceptance, at its full value, of the thing that has been spiritually rejected.

That the operation of the business system is most abnormal in the libertarian countries of Western Europe and America, because these countries have failed to understand that their constitutional defence against the arbitrary authority of kings is by rights only a means and opportunity for the setting up of an authority that is *not* arbitrary; and they have thus been left without any effectual authority at all, or any defence against the arbitrariness of an un-social money-power.

That it is still possible for the United States—by a moral and intellectual effort—to rectify this error, and to create authoritative local centres of democratic con-

trol, that shall normalize the business system and thereby confer upon this country such prosperity and strength that it will be able to hold the moral and material hegemony of the world.

That if we will not make the effort necessary for the achievement of first-rate democracy we must do as England and France are doing—must erect a central and arbitrary power, on the German model, to stave off plutocratic anarchy.

That the German model is to be regarded as a half-way genuine or second-rate democracy, in which a partial escape from arbitrary law, with internal concord and a relatively secure development of the useful arts and sciences, is purchased at the price of perpetual commercial and military aggression.

That the making over of all the great states on this model commits the world to continuous war, which cannot end until some one of the states, endowed with exceptional valiance and resisting power, shall be

subjected to such continued isolation and pressure that all arbitrariness shall be purged out of it and it shall be forced to deploy its moral and material reserves in the forms of a pure democracy.

That upon the emergence of such a democracy—a society mobilized under the sole authority of organized intelligence, for the mastery of the physical difficulties of spiritual existence—wars will speedily be brought to an end; since such a society being freed from internal contradictions will be endlessly expansive and irresistibly strong.

In a real democracy there is of course no such thing as a sovereign government; the sovereignty is lodged in the free and unofficial associations of the people. The contradiction that rends the heart of modern states is the irreducible antagonism between the deductive law-logic of sovereign governments and the inductive method of the industrial and commercial order. Thus the



business system would be entirely at home in a real democracy and would easily adjust all its operations to the agencies of democratic government; but it is compelled by the very nature of things and by the nature of the human mind, to fight against sovereign government—by ruse or violence. It is induced to betray its own code of induction and experience, and it passes by degrees to the extremes of anarchy.

The point is that a *working* organization, because of its close contact with the intrinsic laws of art and science, is obliged to proceed somewhat in accordance with an out-of-doors code of morality, the spirit of which is utterly at variance with the in-doors law of sovereign governments.

We have been tempted into an easy way to effect a partial solution of this antagonism. We have allowed the control of the out-doors processes to drift into the hands of a few privileged persons of conventional and legalistic spirit. Thus the whole working apparatus has been, after a fashion, as-

simulated with the government through the legal fiction that the very rich have performed huge works of supererogation for the public, so that the state is deeply in debt to them and must by rights expend its strength in protecting their claims. By this means the natural antagonism between the working order and the "higher" order of abstract law is tentatively mediated. The whole body of national finance or industrial control becomes the indefeasible property of a supreme creditor class; and in this shape the working order becomes intelligible to the defenders of the higher order. It could not otherwise be intelligible to them. For the high legalists cannot think dynamically or outdoorwise. They can recognize only absolute or mathematical *rights*.

But the penalty of this shifty adjustment is first, that it makes the government the special agent of the creditor class; and second, that it subjects the working order to an administration that tends indoorward. The stupendous and delicate machineries of

modern civilization clog up and become unworkable—for the practical purpose of feeding, clothing and housing people—as the management of them slips gradually out of the hands of scientific organizers and toolmasters and into the offices of idlers and usurers' agents. To be sure the academic spokesmen of this class—who are themselves sedentary men and are therefore generally capable only of indoor-thoughts—can see no reason why the highest possible efficiency cannot be *hired* by a leisure class, at the lowest market rate in wage and salary. They do not understand—and perhaps could not be made to understand—that perfection in working efficiency could be attained only under conditions that yielded to every practical organizer or worker exactly as much discretionary control, or virtual ownership, over tools and materials as befitted his personal skill and mental prowess. There is no question here of dividing up the indivisible apparatus of modern industry. The point is that maximum efficiency in

team-play requires that there should be no owners—which is a lawyer's word for controllers—except those that play the game. It follows from this consideration that every transplacement of ownership or control from the artisans, engineers and practical organizers, to people who stand outside the creative process—must be registered in a diminished use-value of the out-put.

As the quantity or quality of the product declines by this process society grows poorer. But the progressive impoverishment is covered up by a parading of the very documents that prove it. The immense accumulation of stocks, bonds and various debentures that show how great has been the displacement of industrial control from the hands of the competent, and how grievously the efficiency of the working process has been impaired—is exhibited with pride by the commercial statisticians as evidence of prosperity and social wealth.

It is quite true of course that where there is such mighty levy of unearned incomes

there must be a considerable body of real and valuable tools and materials—to stand the strain. But the statisticians need to be reminded that when one holds a ten-thousand-dollar mortgage on a five-thousand-dollar farm, it is not likely to be a good farm, or a good mortgage. And if by dint of much legal pressure upon the farmer and his hired hands—to the detriment of agriculture—it is possible to exact as much as half the interest-money, and if then the other half is carried over and added to the face of the mortgage-debt—we should not say that riches are accumulating. Yet this is a true parable of the swelling wealth of the United States and of many modern nations.

It is not intended here to argue against the legitimacy of interest-taking by people who have earned their leisure, but only to show that when a modern business system develops under the ægis of an in-door government and under the almost exclusive control of a creditor class, it passes by an evolu-

tion that is quite natural and inevitable—through a series of convulsions and heart-failures like those of 1893 and 1907, and a supervening period of chronic prostration—to a point where nothing but war can make it work at all.

The war toward which all nations with sedentary business systems are necessarily driven, need not in the beginning involve the use of fire-arms, for there are other ways of doing physical harm to foreigners and appropriating their goods. The necessary war may be said properly to begin when the creditor-class discovers its inability to make the wheels go 'round within the limits of a dead-locked domestic economy, and determines to make use of the government to open foreign fields of exploitation.

The government in the ordinary case is nearly powerless to resist. For this stage is reached only after the gradually increasing pressure of plutocracy has enfeebled the mentality of the press, the schools, the

church and all other organs of opinion, to such an extent that wise men are driven into corners and collective counsels of restraint have become extremely difficult if not impossible.

Nothing short of the intellectual valor of a Stein or a Burke yoked to the social enthusiasm of a Mazzini or a Lamennais—could possibly avail to stem the drift of the crowd-fatalism that thralls the people in all matured plutocracies. For in such countries if a man has come to a place of high consideration and leadership in any of the professions his mind has generally been shaped in the process to nice conformity with the pecuniary standards that prevail, so that he is ready in pure conscience to condemn as visionary any proposal that has an open-air odor or that the run of desk-men disapprove.

Moreover, it should be carefully noted that a vigorous and belligerent foreign policy does actually present a prospect of social relief—and that by the shortest course.

The relief is both mental and physical. For no scene of carnage is so depressing as is the peace of plutocracy. And in the out-flinging of the national banner toward the far seas, in quest of foreign exploitations, there is a mental exhilaration that is dimly felt even by the mill-drudges and the out-of-works. As for the solid physical advantage, the fact is that plutocratic countries that have come to their logical deadlock at home and have reached their maximum of endurable misery, do really stand a fighting-chance of raising their domestic standard of living, by the pursuit of foreign markets and investments at the cannon's mouth. Anyhow, fight they must or perish by the sword—when once they have definitely committed their fortunes to the fatal and inflexible logic of the inverted business-system.

Those who believe in a just God and a moral governance of the world are able to infer from these irrefutable realities that



the world is now caught and held in the everlasting arms as in a vise—for reasons that do not end with the great tribulation. But as in a vise the world is surely caught. In refusing to take seriously the apocalyptic promise of a new and creative social order that came with the rise of the great industry and commerce of the nineteenth century, we have made of the thing that could have saved us, an instrument of ineluctable pain.

Thus, to proceed with the description of what plainly lies before us on the path we seem, up to this moment, to have chosen, it is to be observed that the libertarian countries—the countries of unbridled ballot-boxing, governmental *laissez faire* and Manchester economics—are in their present shape, particularly unfit for these times. England, France, Italy and the United States, as has been said, must all be made over, somewhat on the German model—in order to survive long enough to have a fair

fighting chance with Germany and the rest—in wars of reciprocal subjugation.

The saving characteristic of the German system is of course the existence in it of a transcendental or super-rational social authority that plutocracy dare not override. Under the shelter of such an authority it is possible to accomplish real social reforms, to lift the minimum standard of living somewhat above the dead line and to realize a far higher degree of economic democracy than is possible in any of the countries like our own, that have no social authority at all.

Under the régime of modern business, in countries that have refused to be really democratic, civil wars can be averted only by reversion toward autocracy. In default of democratic local centres for the rallying of the forces of humanity and science, a strong central government can be made to serve as a *pis aller* and can furnish a tolerably effectual check to the arbitrary powers of egotistic finance. It fell to Bismarckian Germany to lead the universal re-

action that was necessitated by the general lapse of faith in real democracy. Given the lapse of faith and the consequent menace of universal anarchy through the unlimited sway of an unsocial and unscientific capitalism—the reaction was altogether wise. Its practical effect in Germany has been to provide a *milieu* for the development of a comparatively social and scientific industrial system. It is true that this system cannot possibly diffuse itself through the world under imperial auspices, and therefore cannot possibly, in its present form, furnish a ground for international concord. *But it forces into the reluctant mind of the race the idea that humanized and scientific business is not a dream of visionaries, but the solid base of fighting-power, as well as of working-power.*

It is not yet generally understood—but no doubt it soon will be—that the German business system is scientific and socially efficient only so far as it is self-governing. From Germany the lesson is to come that all

the positive excellence and social serviceableness of a business system must be generated spontaneously from within the body of the system itself—that a strong political government can do nothing more than clear the ground for industrial freedom and self-control. An autocracy can check and repress an unsocial business system but cannot socialize it. Even so a bad business system can be arrested and slowed down by act of Congress—and may richly deserve to be—but a good business system must be autonomous. To suppose otherwise is to misconceive the nature of the industrial and commercial process. The people that do the work must govern the working-system. The business organization must originate motives of science and socialization in terms of enterprise, and must develop within its own organism the nerve-ganglia of self-control.

Thus the excellence of the German working order lies in the fact that it is penetrated

by a passion for doing things right. It is controlled by a reticulation of autonomous—yet interdependent and mutually responsible—cartels, trade-councils and local advisory boards. The system is somewhat formless and illogical and it offers no general plan of action that is worthy of American imitation. The point is that the German business system is at bottom democratic. To a German, accustomed as he is to the co-operation of all concerned in any settlement of trade-standards, our own methods of trust-control, railroad rate-regulation and so on, seem intolerably arbitrary and autocratic.

No one commanding a universal audience, has risen up in Germany to expound the meaning of the Great Agony of the German people in its bearing upon the redemption of the human race. Yet underneath the narrow ethnic feeling, the illiberal pride of blood and racial tradition which is as strong in Germany as anywhere else,

there is moving in that land a world-reaching power of peace and reconciliation. It seems to be the present mission of Germany to be strong, and to convey to the world the secret of strength.

We talk here in America of preparedness for war. But we may learn from Germany that military power is merely a special phase or function of industrial power. It should be plain from the experience of England that as matters stand in the modern world, there is not much power in armies that are superposed upon a plutocratic industrial order. Thus it is idle to suppose that the United States can develop an effective military organization on the economic basis supplied by our incompetent business system. If we shrink from the task of making our business thoroughly self-governing, we must make haste to realize at least a sheltered and limited industrial democracy on the German plan. To talk as we do of fighting for democratic principles accentuates the fact that our democ-

racy is somewhat in the air—that it is a fine flag waving over our heads but has nothing to do with our day's work. It would be finer if we were able to say: "We are dangerous to the enemies of liberty because of the democratic principles that govern our ordinary business. We do not need to fight for them. They are our strength. *They fight for us.*"

Mr. H. G. Wells chants an elegy over the failure in this war, of what he calls democracy. But democracy has never failed in war—and cannot fail. For democracy is that mode of human association of which the very essence is that it mobilizes the maximum of force. Democracy is deliverance from the rule of the feeble. It takes the control of arms and tools out of the hands of those who love idleness and hate work, those who love glory and hate danger. It is the world's final abandonment of all those devious devices of political sophistry and legal fiction whereby power has been imputed

to the powerless and the engines of peace and war have been delivered over into the hands of those who do not understand them.

The test of democracy is this: Do men have control of physical forces and materials in proportion to their ability to manage them? A people that answers this test is as strong as it can possibly be. War therefore cannot destroy democracy.

But democracy can destroy war. And that infallibly it will do—whether in a future that is near or remote. For under the régime of democracy the most formidable nation is sanest and most pacific.

The ring of fire that has been drawn about the German people has burnt up much that was bad and weak in it. Indeed it is a marvellous paradox—this emergence of power through suffering! Whether it be in Germany or in America, the metalling of an invincible democracy—fit to destroy all the plutocracies in the world—is likely to come through pressure and fire.



Of course it is not by conquest but by contagion that this power will take possession of the earth. For the great wars are won by endurance—by being unkillable.

If history had not been somewhat cheated of her rights there would be no doubt about it—it would be from the United States and not from Germany that the originating impulse of this renewal would come. And even as matters stand Germany is not well constituted—with her intense particularism and her heavy burden of dynastic and feudal customs,—to be the land of the universal cross-roads, the centre of a world-regeneration. The United States is by rights the nation of many nations, the supra-national country, the land from which the spacious recuperative plans of the twentieth century would best proceed.

Here is the conclusion of the whole matter:

There are in the world, and always have been within historic times, dynamic socie-

ties and static societies. All that is interesting and important to history has been accomplished by the former.

The difference between the two is that the dynamic societies pour the energy of their idealism into material things, while the others regard the mastery of materials as of less importance than the maintenance of vested rights. It has been found that the high-spirited materialism of the dynamic peoples gives them light and grace and a degree of equity and unity. On the other hand the refusal of the static societies to invest their romance in material things, results in a moral and intellectual deterioration and the eventful predominance of an insensitive plutocracy.

Now the rise of the modern business system, with its delicate and powerful agencies of social correlation and control, has precipitated an epochal, perhaps a final, struggle between the dynamic and the static order—a war-period in which the former must soon or late prevail. This prevalence

is made the more probable because of the fact that the categories of modern business are entirely congenial to a dynamic political order, but are seen to work confusion and enfeeblement when applied to a régime of static politics.

It is indeed conceivable that these ideas, credit and free contract and the cognate mental habits of large-scale industry and exchange—though they offer the best and most hopeful means of universal concord that have come to the world within a thousand years—may somehow be utterly obliterated from the minds of men, and that we may thus be thrown back for security upon the social conceptions of an earlier time. But if the business system survives at all, it will now achieve its self-consistency and normal strength in one or other of the great dynamic societies, and will evince a power over materials so unprecedented and incomparable that the plutocracies cannot stand in the presence of it.

The nations now so distraught by inter-

nal discords and depressed by the poverty of the multitude, will enter into a new and spacious age of art and the free spirit, compelled by the irresistible pressure of a new kind of competition, to wit: a rivalry among the several communities of the earth to make goods cheap and men dear.

THE END

## APPENDIX

### THE CARTEL PRINCIPLE

In industry, competition; in commerce, socialization—that is the principle of the cartel.

This principle has nowhere been thoroughly worked out as yet. There is no country and no considerable community that has deliberately undertaken to subject the bulk of its buying and selling to an organized and authoritative social intelligence—with the clear purpose of avoiding the waste and disorder of market rivalry, and thus increasing the energy of the productive process. Yet as a matter of social philosophy the argument is all in favor of a thorough-going application of this principle.

Industry—the operation of farms, mines and factories—is the means whereby the natural difficulties of existence are progressively met and mastered. In industry the sharper the competition, the swifter the advancement of the practical arts. On the other hand, the private competitions of commerce (Note that the running of railroads and steamships is not a part of commerce, but of industry) are a dead loss to society at large.

The old-fashioned economists—Adam Smith, Jeremy Bentham, Stuart Mill—were right enough, with

their government-hands-off policy, as long as the ways of commerce were very simple and every producer might be thought of as coming to market with his goods in his hand. Under the craftsman-economy, before there were any large industrial plants or any wide commercial combinations, it could reasonably be assumed that the general intelligence of the buyers in the market-place—though that intelligence was diffused and unorganized—might be sufficient to appraise things at something like their real value, resist extortion and force the industrials to do their best. The old theory of free market competition worked well enough, so long as this diffused and unorganized intelligence was fairly equal to its task. It ceased to work well enough from the moment producers and sellers began to make large-scale combinations. From that moment a tendency set in that was socially suicidal—namely, a war for the mastery of the market.

Matters came at length to such a pass that a given unit of mental energy applied to commercial organization for the control of the market was found to pay better than when applied to industrial organization for the control of tools and materials. Hence came the various phases of industrial deadlock and stagnation, the decline in the purchasing-power of a day's work and the general rise in the cost of living. For there can be no substantial progress in a country that offers higher rewards for effort spent in selling things than for effort spent in making them.

Now what is the remedy for this inverted state of

affairs that has followed upon the failure of the diffused and unorganized intelligence of the marketplace to meet the requirements of grand-scale industry and commerce? The remedy is to organize this intelligence and give it point and power.

The idea must be firmly grasped that industry and commerce are different and contrasting processes. The part of industry is to establish relations between man and nature; the part of commerce is to establish relations between man and man. This latter is a social function and should be treated as such.

In casting about to find a practical method for subjecting the market to social control, we naturally expect that a matter of such importance must have forced itself upon people's attention in many ways, and must have been dealt with tentatively in many places. Accordingly one takes note of such social arrangements as those that have been worked out by the citrus-fruit growers of southern California, and like experiments in the United States and elsewhere. But perhaps the fullest development of the principle—though still tentative enough and with a defective sense of social obligation—is seen in the system of cartels that has woven a network of commercial regulation across the face of Germany.

The German cartel is a combination of a number of industrial concerns that have agreed to market their goods in common—whilst continuing to compete with one another for the improvement of industrial methods. The German cartel has many forms and

complications, but in general terms it is a joint-stock company in which the representatives of a number of firms form together a Central Board or trusteeship for the administration of their common commercial interests. Each concern is left free to manage its own technical plant in its own way. The Central Board looks out upon the market, estimates the total demand for a given season, apportions to each firm its proper share of the output and markets the whole stock as general selling agent. Accounting is made to the several concerns, with special allowances or deductions in cases where more or less than the allotted amount has been contributed. The association is temporary; it must be renewed or dissolved at the end of a fixed period.

Now although the German cartel system is a matter of private arrangement and not an affair of state, it has been generally accepted by economists and by German courts and legislatures as a socially serviceable thing. Its partial elimination of the disorder and waste of commercial competition and the stimulus it gives to technical advance are points of such advantage to the public that the occasional excesses and extortions of the system have been excused.

An English economist, Mr. D. H. Macgreggor, comments to the advantage of Germany on the democratic character of this system in contrast with American combinations. He says: "It is in the great Republic that economic despotism is represented by the Trust and it is under a very strong despotism that the



representative government of industry is maintained by the Cartel."

But one must look beyond the German cartel for a full-orbed expression of the democratic spirit in business; and it is after all likely to be in the United States that such an expression will ultimately be found.

Real democracy requires that the common market-agency shall act, not in the interest of a group, but of the whole community; and that the price paid by the community shall be the lowest that consists with general living standards.

It is conceivable that such an entire democratization of the cartel principle might be realized in this country by the sheer statesmanship or inspired social sense of "big business" men. It is thinkable that the producers of steel or oil or sugar might create a general marketing agency as scientific and social in its aim as—say, for example—an institute of marine engineers, or that spirited guild of commercial auditors in London whose unpurchasable professionalism is the terror of all corporate malfeasance. Certainly it is only a high and proud spirit, the spirit of science and the arts—and not the dread of legal penalties—that can permanently sustain any fit organ of social appraisement and market-control.

It must be admitted that there are no present signs that such an organ will be spontaneously generated in the steel, oil or sugar business. Indeed the legal obstacles are great. Besides, it is the present habit

of the country to look to the government for initiative in such matters.

Now it happens that the government at Washington is at this moment confronted with the urgent question: "How, under the anti-trust laws, shall industrial concerns that compete in the home market, manage to combine for foreign trade?"

It appears that here is an opening for an application of the cartel principle on a line of minimum resistance. In considering the form that such an experiment might take one should observe those forms of the cartel in Europe that have proceeded from governmental initiative. Thus in Austria, France and Italy the governments have cartelized the tobacco trade—mainly for the sake of public revenue. The Rumanian government has created an oil cartel—to conserve the petroleum supply. And the Italian government has cartelized the sulphur industry of Sicily for a similar reason.

It is perhaps possible for the government of the United States to learn something from such precedents, and then to pass far beyond them all—by setting up a public buying-and-selling agency, say for the Latin-American trade. Such an agency should no doubt, in the first instance, confine itself to staple products that can be standardized, and so appraised by quantity rather than by quality—such as steel rails, copper wire, oatmeal and so on. The public agency could take the measure of the foreign market and buy from the home producers in that measure—

not from "insiders," as is the case in the German system, but from the lowest bidders. The sales abroad would generally be made at a uniform price. And there would be a margin of profit left for the maintenance of the agency and to pay the public costs incurred through an extension of the consular service and through our actual employment of Commerce Department officials—who are in effect travelling public salesmen on the lookout for new markets.

It is worth considering also whether the cartel principle might not be applied to the development of an American merchant marine. Ocean transportation is, of course, a commodity—to be bought and sold like any other. A government agency for the comprehensive purchase and sale of this commodity could exclude from the competition all ships, whether of foreign or domestic registry, that did not comply with the terms of a proper Seaman's Bill, could give a distinct preference to American ships and could maintain a rate-scale that would pay American ship-masters to get ships and sail them.

Finally it should be noted that it is possible for the government to use the cartel principle in creating a gigantic engine of finance for the support of the fiscal budget.

## WHY GERMANY IS UNSTARVABLE

The reason why it is difficult to the point of impossibility to enlist the forces of Famine against the

Teutons is the existence of the invincible hunger-conquering and national life-saving army of German farmers organized under the democratic standard of the Landwirtschaftsrat. It's a tough word for a tough thing. It means in plain English, Council of Agriculture. There is a similar organization in Austria, with the still more terrible title—Landwirtschaftsgesellschaft.

Of late the legend has been spread abroad and carefully nurtured by newspapers that the Teutons are formidable because they are not free. It is a curious doctrine, and it reveals much concerning the mentality of those who in simple faith accept it. It is pretended that Germany is a marvellous mechanism worked by strings. And that the strings are in the hands of irresponsible and vainglorious persons who pull and haul to please their own whims.

Now from the times of Livy and Tacitus the case of the Teuton has in fact been quite otherwise. He has always been a great fellow for councils. He has stickled for it, that every clod-hopper should have his say. And the natural modern outcome of those ancient village communings and witenagemotes is his unstarvable Landwirtschaftsrat, or permanent national session of the feeders.

It is not in Germany—rather in England, France and the United States—that farmers are helpless folk whose fortunes are worked by strings. In London or Paris, in Chicago or New York a real farmer is as foreign to the wheat-pit or the produce-exchange as a

Yankee at the court of King Arthur. In these great capitals are centred the delicate and admirable reticulations of finance and commerce which deal with farmers in dispassionate aloofness—as spiders deal with flies.

In Berlin, on the other hand, there is a representative and democratic institution which sees to it that every husbandman shall have political weight in the Empire and financial power at the bank—in proportion to the actual social-use-value of his poultry, gooseberries and sugar-beets.

This Berlin institution is the culmination of a pyramidal structure reaching down through the political divisions that correspond with our states and counties to a kind of permanent political primary of agricultural science and commerce that operates without intermission in every country town. The headquarters in Berlin is a big building—say eighty by two hundred feet, and half a dozen stories high. Here are lodged a great variety of agencies that correlate in the idea of a national Market and Clearing-house of agricultural products. If there is an orchardist in Hesse-Darmstadt with more pears or peaches than he can sell around home, he tells his troubles to the Frankfort office; and if the whole Frankfort jurisdiction is overstocked with these goods, the word goes on to Berlin with its all-comprehensive market-horizons. Even so if some gardener in Saxony has invented a new and more excellent way of tying asparagus, the

whole country is apprised of the fact by the quickest routes.

But the Landwirtschaftsrat deals also with the weightiest matters—holding on behalf of the fundamental life-sustaining interests of the country that balance of political and social power that the ancient Gracchi strove to hold. The seventy-two councillors who represent the Landwirtschaftsrat in Berlin consult with the Reichstag on all matters that concern the agricultural interests; and their advice goes into the Legislature of the Empire with a massed political force that is not easily resisted.

The whole system may be described as semi-official. The law defines the general modes of its organization and action. But the action is free and democratic, by the only test that counts: the rules are not imposed from above downward by an arbitrary authority, but spring upward out of experience to meet the problem in hand.

The only reason why it will be difficult for us to create here in the United States a thing of this kind (and we are certainly bound to do it on peril of our national life) is that Americans are soft on democracy—lack hardening exercise in it. Our democracy hitherto has been too purely spiritual.

But on the tenth of last September Mr. Goodwin of Arkansas introduced in the House of Representatives a resolution that offers an entirely practicable means for the precipitation of our creditable democratic sentiments in concrete agricultural terms. This

resolution (called House Joint-Resolution No. 344) was referred to the House Committee on Agriculture and ordered to be printed. It calls for very affirmative and important action by the President in the direction of a completely new deal for "the producers and consumers of agricultural products"—a phrase which seems to include all who are addicted to the use of food and other things that grow.

On this subject listen to David Lubin, founder of the International Institute of Agriculture at Rome. He is the Californian who captured the imagination of the King of Italy and made him build that white marble palace in the lofty Borghesi Garden that looks down upon the memorials of two world-empires. Lubin's palace does not celebrate the pride and daintiness of princes nor the pomp of any consecrated power. Yet it is within the bounds of sober and consecutive thought that people may some day make pilgrimages to this White House in the Roman garden as to the originating headquarters and first Executive Mansion of that "third empire" of international democracy concerning which Mazzini and the generous youth of Europe dreamed so many dreams in the middle years of the last century—but which they did not know how to set forward. For this Institute at Rome, which for a dozen years Mr. Lubin has been nursing into expansive life, foreshadows a kind of government that is more modern than any other kind—a government in which science and the principle of equitable reciprocity are applied to the earth-

struggle. The Institute is a perpetual congress of delegates from more than forty nations, whose present business consists mainly in telling one another the exact truth about the current yield of food-staples in the several countries and publishing the facts to the world.

Mr. Lubin, speaking with a fine tang of the California climate, is telling the House Committee on Agriculture at Washington why the farming interests of the United States ought to have a solid and structural organization—not merely for the sake of the farmers, but for the sake of the country. Hear him:

“When the city man plays radical he seems to be full of dash and swear-words, sand-lot and froth; nevertheless he will run into the first hole when the policeman gets after him. But when the farmer turns radical and lets loose he does not run away; he grabs a pitchfork or a scythe and goes on a rampage; he is then like the genie out of a bottle; you can’t put him back again. And when does the farmer run loose? I say—with the warrant of all history from the earliest times—whenever you transform him wholesale from a land-owner into a renter.”

In view of the fact that, by national census, twenty-one per cent of the agricultural land in this country was farmed by renters at the beginning of this century, thirty-six per cent ten years later and most likely forty-five per cent at the present moment with a much higher percentage in the Southern tier of states from Georgia to Texas—it looks as if the



genie might get out of the bottle. Something ought to be done about it.

Accordingly this House Committee is expected to report favorably to the coming session of Congress this proposed joint-resolution (No. 344) authorizing and requesting the President to appoint a commission whose business it shall be "to adopt a plan of action for the effective organization of the states, counties and localities of the United States, for the economic distribution of the products of the farm." The proposed planning body is called a National Marketing Commission. It is to be composed of twenty-nine members, fifteen of whom shall be farmers, and fourteen of whom shall be "selected because of their eminence in commerce, law, finance and transportation." Meeting in Washington at the call of the President, this body is to act as a sort of Constitutional Convention for the organization of the rights and powers of the country as they relate to the fundamental industry and commerce, i. e., agriculture or the production of things that live and grow.

The supporters of the resolution have in mind a correlation of American agricultural interests in some manner that shall be as comprehensive and substantial as the structure of the German Landwirtschaftsrat. They lay emphasis upon the democratic character of that system—its self-government and freedom from arbitrary control. They have therefore provided in the resolution that the Commission shall have "power to act only as affecting individuals and or-

ganizations that shall elect to become" a part of the national system.

The point should be insisted upon that agriculture is not a mere heathen, pagan or villainous matter—in the primary and etymological sense of those words. It is because of the social stupidity and political incompetence of decadent peoples that words descriptive of rural occupations have taken on a color of supercilious scorn. Growing and mounting nations take their farming artistically, even romantically—and with such science as they are able to command.

It is a plain dictum of political philosophy—implied in Mr. Lubin's picturesque words—that when the legal control of primary life-sustaining processes passes definitely into the hands of people who neither sow nor reap, and who "don't know a harvester from a hay-tedder," then the whole fabric of legality becomes discredited. And the state turns turtle.

## PUBLIC SERVICE BANKS

Here is a statement of the theory of a proposed Central Bank to be established in New York City, for the support and propagation of a system of Public Service banks in the country at large—in legal accord with the Federal Reserve Act.

Since the administration of credit has become the most vital of social functions, it can no longer be carried on successfully by the trustees of a creditor-class. It must pass into the hands of men who im-

pose upon themselves the moral and intellectual standards and the pecuniary restraints that are becoming to public administrators.

A bank should bear to a thousand farms, mines or factories—i. e., to the whole working apparatus of a community—a relation like that borne to a single plant by its own head-office. The business of a bank is to organize the productive forces of a locality, for the maximum increase of wealth. To that end it should seek to lay upon the working apparatus of the community the lightest possible burden of debt and interest charges—in order that capital may be vitalized to the highest degree and kept under the control of actual workers and organizers of industry.

Credit-administration is the science and art of lowering the interest rate or discount-charge—through the elimination of avoidable waste and risk.

The administrators are charged with the task of reducing waste and risk by seeing to it that capital goes into the hands of capable men engaged in projects appropriate to the time and place, and that capital is withheld from those that are incompetent and from projects that are inappropriate.

If this science and art could be carried to perfection it would be possible, as a matter of abstract theory, to do an immeasurable banking business without any reserves beyond the teller's till-full, and with interest and discounts sunk to, say, a fraction of one per cent—to meet the cost of keeping books and handling money. Since, however, this is a world of

error and of mere approximations, good banking may well be content for the present to lower the interest-level to something like three per cent, with two per cent or one per cent as a remoter objective. On such a basis the United States may be assured of the achievement of an economic energy much greater than that now current in Germany.

The initial capital for the Public Service banks should be easy to get, since the security should be better than any now extant. Money employed, under an organized and single-minded intelligence, for the raising of productive power and the lowering of debt-charges, is money employed in the safest imaginable way.

On the other hand the Public Service banks could afford if necessary to pay a higher rate for initial capital than can banks conducted for private profit—since the difference between what the bank takes from the business community and what it *could* take, may be very great in the former case and is sure to be next to nothing in the latter.

From such theoretical considerations it appears that nothing has been lacking to normal and constructive banking in this country, and to a general mobilization of our dead-locked industrial forces—except understanding, and an association of substantial men.

These seem no longer to be lacking.







